Reinventing for A Sustainable Future

INTEGRATED REPORT 2021

www.pharmaniaga.com

PHARMANIAGA BERHAD
Co. Reg. No. 199801011581 (467709-M)
No. 7, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
40000 Shah Alam
Selangor Darul Ehsan
Malaysia

Tel : + 603 – 3342 9999
Fax : + 603 – 3341 7777

pharmaniaga®
(A member of Boustead Group)

TRANSCENDING BEYOND THE NORM:

Protecting the Nation

01

SIGNING CEREMONY WITH SINOVAC FOR PURCHASE OF 14 MILLION DOSES OF COVID-19 VACCINE

02

SIGNING CEREMONY WITH THE GOVERNMENT ON THE SUPPLY OF 12 MILLION DOSES OF COVID-19 VACCINE

03

ARRIVAL OF THE FIRST BULK COVID-19 VACCINE IN MALAYSIA

04

ARRIVAL OF BULK COVID-19 VACCINE AT OUR PUCHONG MANUFACTURING PLANT

05

COVID-19 VACCINE FILL AND FINISH MANUFACTURING

06

COVID-19 VACCINE DELIVERY TO HOSPITALS & PPV

07

VACCINATION FOR THE ***RAKYAT***

08

DELIVERY OF THE FINAL BATCH OF COVID-19 VACCINE TO THE GOVERNMENT

2021 was an exceptional year for Pharmaniaga. Consistent with our philosophy and values, we always strive to ensure the health and well-being of our communities by providing accessible and affordable healthcare solutions.

Backed by our committed and dedicated employees as well as established infrastructure, we were able to protect the nation by delivering 20.4 million doses of Sinovac COVID-19 vaccine to the Government of Malaysia, four and a half months ahead of time. This has accelerated the Government's National COVID-19 Immunisation Programme and enabled Malaysia to be amongst the countries with the fastest vaccination rates in the world.

We thank the Government and the Ministry of Health for the trust placed in us as well as the relevant authorities for their continued support. We are also grateful to all our employees who worked tirelessly to protect the nation by supplying, manufacturing and delivering the Sinovac COVID-19 vaccine across the country.

Moving forward, we remain committed to our role in curbing the spread of COVID-19 whilst helping the *rakyat* to emerge healthier and stronger.

COVER RATIONALE

Pharmaniaga strives for excellence in all we do, especially in the areas of environmental, social and governance (ESG).

In order to make a difference in the world and to our business, we remain committed to elevating our ESG efforts every way we can. It is about creating sustainable outcomes for the environment as well as helping the underserved. It is about governing our business responsibly to build long-term resilience and to secure a sustainable future.

With strong fundamentals in place, we have leveraged technology-driven solutions to optimise our operations and improve our existing offerings, as well as formulate new products and services.

Our commitment to sustainability is long-standing and by elevating our ESG efforts, we are well-positioned to future-proof the Group and maximise value for all our stakeholders.

24th ANNUAL GENERAL MEETING

DATE	13 June 2022
TIME	9.30 a.m.
MEETING PLATFORM & BROADCAST VENUE	Will be held online at **https://tiih.online** Royale Chulan Damansara 2A, Jalan PJU 7/3, Mutiara Damansara 47810 Petaling Jaya, Selangor

www.pharmaniaga.com

Inside This Report

About This Report

As part of the Group's *Reinventing Boustead Strategy*, Pharmaniaga Berhad (Pharmaniaga) has embarked on a journey to reinvent our reporting process. This year, we will be presenting our financial and non-financial performance in an integrated reporting format which we believe will provide greater clarity to all our stakeholders as to what we do, our values, our strategies, and the risks and opportunities faced in achieving our goals.

For ease of navigation, we have introduced various icons and links which are used throughout the report. Our ultimate objective is to articulate how we seek to create short, medium and long-term value.

SCOPE AND BOUNDARY OF REPORTING

Contents in the report are based on activities, initiatives and key events that took place during the financial year 2021, beginning 1 January and ended 31 December 2021, unless stated otherwise. Guided by the Malaysian Financial Reporting Standards (MFRS), the report covers all companies under the Pharmaniaga fold in which we have a majority shareholding and substantial influence.

MATERIALITY

This report focuses on matters that are material to our capacity to create value, and to deliver on our core purpose, as determined by our Directors, in consultation with the Management. In identifying these material issues, they have considered external factors, the needs, expectations and concerns of our main stakeholders, as well as Pharmaniaga's strategy.

COMBINED ASSURANCE

Contents of the entire report have been read and approved by the Management and Board of Directors. Additionally, the financial statements have been assured by our external auditors, Messrs. PricewaterhouseCoopers PLT, whilst the Sustainability Report has been verified by Sirim QAS International Sdn. Bhd.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements relating to future performance. Such statements are premised on current assumptions and circumstances, which could change, hence they necessarily involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors acknowledges responsibility in ensuring the integrity of Pharmaniaga's Integrated Report 2021. In our opinion, the report presents a fair assessment of the Group's performance and addresses all key matters that are material to our ability to create value. This report was approved by the Board on 20 April 2022.

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent
Non-Executive Chairman

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

REPORTING FRAMEWORKS

IR

INTEGRATED REPORT 2021

This report has been guided by the principles and requirements of the:

1. Main Market Listing Requirements (MMLR) of Bursa Malaysia
2. Malaysian Financial Reporting Framework
3. Malaysian Code on Corporate Governance (MCCG) 2021 issued by the Securities Commission Malaysia
4. Companies Act 2016 (CA 2016)
5. Bursa Malaysia's Sustainability Guide (2nd Edition)
6. International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
7. Global Reporting Initiative (GRI)
8. United Nations Sustainable Development Goals (UNSDGs)
9. World Business Council for Sustainable Development
10. World Resources Institute's GHG Protocol
11. Intergovernmental Panel on Climate Change's Fifth Assessment Report

NAVIGATION ICONS

6 Capitals

Financial Capital
Funds generated through investments and operations or obtained from external debt financing

Human Capital
Talented and skilful employees, diversity of employees, employees' training & development

Manufactured Capital
Physical assets, manufacturing facilities, IT infrastructure, logistics and office facilities

Intellectual Capital
Research and development capabilities, licensed technologies, intellectual property such as patents, trademarks and technical know-how

Natural Capital
Renewable and non-renewable resources, i.e. water, raw materials and landbank

Social and Relationship Capital
Relationships with stakeholders i.e. customers, suppliers, investors, Government and communities

Stakeholder Groups

Government Agencies & Regulatory Bodies
The Malaysian Federal and State Governments, regulators, federal and state agencies

Customers
Public & private hospitals and clinics, pharmacies and international customers

Employees
Full-time and contract employees across Malaysia and Indonesia operations

Supply Chain Partners
Contractors and suppliers providing services and supplies

Providers of Financial Capital
Local statutory bodies, corporate, institutional and retail investors and other potential investors

Media
Local media covering digital and print platforms

Communities
Local communities living or working in areas that are economically, socially or environmentally impacted by our operations

Material Matters

1. Accessibility of Healthcare Products
2. Product Quality
3. Product Responsibility
4. Service Quality
5. Customer Satisfaction
6. Economic and Financial Sustainability
7. Data Privacy and Security
8. Labour Practices
9. Material and Waste Management
10. Occupational Health and Safety
11. Employee Engagement
12. Good Corporate Governance and Integrity
13. Water and Effluent Discharge Management
14. Community Contribution and Development
15. Equal Opportunity
16. Affordable Healthcare Products
17. Hazardous Gas Emissions and Energy Management
18. Accessibility of Halal Products
19. Training and Development
20. Job Opportunities
21. Providing Business Opportunities

7 Strategic Pillars

- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare and Nutraceutical for Sustainable Growth
- Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
- Reinforce Human Capital through Capability Building for Superior Performance

Key Risks

Business Risk
A number of factors could impact the development and execution of our business strategies, including increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policy and availability of supply.

Financial Risk
The risk relates to our financial obligations and ineffective management of collection.

Environmental Sustainability Risk
Regulators, investors and other stakeholders increasingly expect the Company to reduce our environmental impacts across the value chain and to mitigate the impacts of climate change on our operations and supply chains.

Cybersecurity Risk
The more we adopt digital technologies to remain relevant and competitive, the greater our exposure to cyber crime.

Legal and Regulatory Risk
Pharmaniaga is subject to extensive, complex, costly and evolving rules and regulations governing the business and operation of manufacturing, labelling, marketing, warehousing, transporting, sale and approval of pharmaceutical products.

Sustainable Development Goals (SDGs)

As part of Pharmaniaga's strategy, we have **prioritised** the following **SDGs** to ensure our business is **environmentally**, **socially** and **economically** sustainable

CROSS REFERENCES

This report shall be read together with our standalone Sustainability Report 2021 online at: www.pharmaniaga.com

You can find this report and additional information about Pharmaniaga on our corporate website.

01 OVERVIEW OF PHARMANIAGA

OVERVIEW OF PHARMANIAGA

OVERVIEW OF PHARMANIAGA

WHO WE ARE

Pharmaniaga, established in 1994, is one of Malaysia's largest listed integrated pharmaceutical groups. We are involved in various segments of the pharmaceutical value chain, from research & development to the manufacturing of generic drugs, over-the-counter medicines and nutraceuticals, logistics & distribution, sales & marketing as well as retail pharmacy. In 2021, we made history by becoming the first Malaysian pharmaceutical company to fill and finish manufacture a human vaccine.

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

VISION

The preferred pharmaceutical brand in regional markets

MISSION

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

CORE VALUES

RESPECT

- DIGNITY
- TRUST
- FAIR
- OPEN
- HONOUR

What it means to us;

- 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

What it means to us;

- 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

What it means to us;

- 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

What it means to us;

- We show and keep our commitment to operate competitively, strive to acquire the relevant knowledge, 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.

GROUP STRUCTURE

pharmaniaga®

MANUFACTURING

- Pharmaniaga Manufacturing Berhad
- Idaman Pharma Manufacturing Sdn Bhd
- Pharmaniaga LifeScience Sdn Bhd
- Pharmaniaga Research Centre Sdn Bhd
- Paradigm Industry Sdn Bhd
- Bio-Collagen Technologies Sdn Bhd (dormant)

LOGISTICS & DISTRIBUTION

- Pharmaniaga Logistics Sdn Bhd
- Pharmaniaga Marketing Sdn Bhd
- Pristine Pharma Sdn Bhd
- Pharmaniaga Biomedical Sdn Bhd
- Pharmaniaga Pegasus (Seychelles) Co Ltd (dormant)
- Pharmaniaga International Corporation Sdn Bhd

INDONESIA

- Pt Millennium Pharmacon Tbk
- PT Errita Pharma
- PT Mega Pharmaniaga (dormant)

Note: *Please refer to pages 241 to 242 for the comprehensive list of companies within the Group*

OUR STRENGTHS

- The largest integrated pharmaceutical company in Malaysia with more than 27 years of experience with dynamic ecosystem
- Pharmaceutical-grade supply chain with a nationwide logistics infrastructure across Malaysia and Indonesia
- Highly-skilled workforce and strong technical capabilities of more than 300 scientists and experts in various fields
- World-class Halal compliant manufacturing plants of PIC/S and EU GMP standards with robust capabilities
- Nationwide distribution in Indonesia, with 33 branches and one manufacturing plant
- Strategic partnerships to produce high value generics and venture into biopharma (vaccines and insulin)

WHERE WE OPERATE

Our products and services are readily accessible across the region as our operations are strategically placed in Malaysia and Indonesia. By capitalising on our synergies, we persist in strengthening our market presence as one of the largest listed integrated pharmaceutical groups as well as amplify our reach by penetrating untapped markets.

MALAYSIA

EMPLOYEES	R&D SITE	MANUFACTURING PLANT	LOGISTICS & DISTRIBUTION SITE	MARKETING OFFICE
2,185	1	6	5	5

INDONESIA

EMPLOYEES	R&D SITE	MANUFACTURING PLANT	LOGISTICS & DISTRIBUTION SITE
1,457	1	2	Central Warehouse 1 Branches 33

WHAT WE DO

RESEARCH & DEVELOPMENT

Our state-of-the-art research centre in Bukit Raja, Selangor houses close to 140 dedicated scientists. Through continuous research and development, we strive to provide accessible and affordable pharmaceutical products and services for a healthier nation. We are well equipped to develop high quality pharmaceuticals, biopharmaceuticals, over-the-counter (OTC) products and nutraceuticals. Our products cover various therapeutic segments including cardiovascular, respiratory, gastrointestinal, diabetes, analgesics, anti-infectives as well as vaccines, insulin and health supplements for the local and international markets.

317 total number of products approved:

- **27** Biopharmaceuticals
- **179** Pharmaceuticals
- **57** OTC & Nutraceuticals
- **35** Medical Devices
- **19** Cosmetics

Successfully obtained the **ISO 37001:2016** Anti-Bribery Management Systems Certification

ISO/IEC 17025: 2017 Laboratory Quality Management Systems certified

MANUFACTURING

With advanced manufacturing facilities coupled with cutting-edge technologies, machinery, processes and quality systems, we manufacture a wide range of products from solid orals, granules, liquid orals, semisolids and small volume injectables at six manufacturing plants situated across Malaysia. In 2020, our small volume injectable plant based in Puchong was upgraded to carry out fill and finish manufacturing for the Sinovac COVID-19 vaccine to support the Government's COVID-19 immunisation programme. This places us on the right track to becoming a leading Halal biopharmaceutical company in South East Asia.

Fill & Finish manufacturing of **COVID-19 vaccine**

Dosage Form & Capacity

Solid	:	**5.7** billion tablets & capsules
Liquid	:	**2.9** million litres
Cream	:	**472.4** metric tonnes
Dry syrup	:	**259.0** metric tonnes
Vials	:	**16.4** million units
Ampoules	:	**43.0** million units

LOGISTICS & DISTRIBUTION

Pharmaniaga supplies more than 700 products in the Ministry of Health (MOH)'s Approved Product Purchase List (APPL) – comprising medicines and other medical items to Government hospitals, institutions and clinics. Using our comprehensive network of five warehouses in Bukit Raja and Section 15 Selangor, Penang, Sabah and Sarawak, with a fleet size of more than 200 vehicles, we also supply to educational institutions and the private sector.

Recorded **99.3%** compliance with all performance standards for the provision of medicines and medical supplies to MOH

Extended the ISO 45001:2018 Occupational Health and Safety Management Systems Certifications to the Pharmaniaga Logistics Sdn Bhd warehouse in Section 15, Selangor

Implemented **Internet of Things (IoT) technology** to improve real-time temperature monitoring

Implemented **Oracle Transport Management (OTM) System** for end-to-end transportation **business process** automation

WHAT WE DO

SALES & MARKETING

Our Sales and Marketing team promotes a wide range of pharmaceuticals, nutraceuticals, dentals and OTC products to both public and private sectors.

The Ethical team markets a wide range of popular generics and constantly scans the market to launch new products to meet increasing healthcare needs and patient care. The Consumer Healthcare team markets a growing range of over-the-counter (OTC) nutritional supplements and will be launching new products in vitality and gastro health categories. We have extensive distribution to all the key sales channels from hospitals, General Practitioners (GPs), pharmacies to traditional outlets.

Our RoyalePharma franchise currently operates one retail outlet and our popular online sales platform. Our coverage will be expanded with the launch of 24/7 vending services in 2022.

Number of private healthcare facilities in Malaysia registered with Pharmaniaga

164	Private Hospitals
7,061	Medical Clinics
1,535	Dental Clinics
2,372	Community Pharmacies

Growing **Alliance network**, through collaboration with **MARA**

Private Sector Sales Growth by 10% versus 2020

Tapping into digitalisation to embark on **e-commerce platforms** to effectively reach our **customers**

Further strengthen **brand awareness** of OTC products via engagement with key opinion leaders and **ads on TV** as well as **billboards**

INDONESIA OPERATIONS

Our Indonesia operations spearheaded by our logistics and distribution arm, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita), continued to see growth.

The public listed MPI has been progressing steadily with double-digit growth since it became part of the Group in December 2004. Ranked amongst the top 10 logistics and distribution companies in the Republic of Indonesia, MPI has a central warehouse in Jakarta supported by 33 branches nationwide. Servicing 34 principals' products including Errita, MPI's main revenue contributors are the sales of ethical drugs and medical disposable items.

Meanwhile, Errita has well established general pharmaceutical and penicillin plants that became part of the Group in February 2014. With almost 400 employees, Errita manufactures both pharmaceutical and over-the-counter (OTC) products, and has registered 118 products to date. The Company targets to launch 15 new products every year as part of the strategy to expand its market share.

MPI

- **33** branches
- **34** principals
- **>17,000** customers
- over **4,000** product SKUs

ERRITA

- **23** distributors
- **118** products registered
- **107** products commercialised

Errita effectively strengthened business synergies by **continuing to partner with MPI** as a distributor

2021 KEY HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Profit After Taxation (PAT): **RM172.2** Million

Dividend Per Share **9.3** Sen

Revenue **RM4.8** Billion

Zakat **RM24.1** Million

Employees:

3,642 Total number of employees

99.6% Local

Number of COVID-19 swab tests conducted on employees

23,957

BUSINESS HIGHLIGHTS

20.4 million doses of Sinovac COVID-19 vaccine supplied to the **Government of Malaysia**

Delivered approximately 2.5 million doses of COVID-19 vaccine to **private market**

Contract extension for the provision of medicines and medical supplies to **Ministry of Health until 31 December 2022**

Signed MoC with Malaysia Healthcare Travel Council (MHTC) to supply and distribute Hepatitis C drug

Collaboration with **National Institutes of Biotechnology Malaysia (NIBM)** to produce various vaccines for **babies, children** and **adults**

Uninterrupted business operations during pandemic

Entrusted by Ministry of Health (MOH) to manage the logistics and distribution of all **AstraZeneca** COVID-19 vaccines received via AstraZeneca, **COVAX** Facility & vaccines donated by **foreign Governments**

Increased Customer Satisfaction Scores: **'Good' & 'Excellent' MOH 98% | MOHE 96%**

Signed MoU with MARA to develop **Bumiputera entrepreneurs** in **healthcare**

Pharmaniaga Logistics Sdn Bhd officially appointed as the sole distributor of **Baraka, Habbatus Sauda** in Malaysia

Supplied the latest and most advanced **Full Field Digital Mammography System (FFDM) for breast screening** to **three MOH** hospitals

Arnia Madu Kelulut launched

Available at these outlets:

- **96** AEON
- **141** Healthlane
- **151** Big Pharmacy

Ravidasvir, first New Chemical Entity **for Pharmaniaga and the world**

Recorded 99.3% compliance with all performance standards for the provision **of medicines and medical supplies to Ministry of Health**

A total of **184 products Halal** Certified

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

Zero incidents of non-compliance with environmental regulations

398.63 tonnes of general waste recycled (2020: 150 tonnes)

RM2.2 million of cost savings achieved from energy-saving initiatives

15% reduction in Greenhouse Gas emissions from 2019 baseline

768.68 GJ generated from solar energy

About **RM15,000** of cost savings achieved from water recycling programmes

215.39 tonnes of recycled input material utilised in manufacturing operations **(2020: 245.18 tonnes)**

SOCIAL

19,340 number of COVID-19 vaccine doses administered at in-house PPV

84 individuals provided with graduate employment opportunities

Approximately **RM7 million** invested in corporate responsibility

99.6% employees are local (2020: 99.8%)

Average of **26** training hours per employee

Zero recorded cases of discrimination and non-compliance with labour practices

31% of Senior and Middle Management positions are held by women

Zero workplace fatalities

GOVERNANCE & ECONOMIC

Warehouse expansion

to enhance national storage and reach capabilities

Pharmaniaga Research Centre Sdn Bhd successfully obtained the **ISO 37001:2016** Anti-Bribery Management Systems Certification

Extension of **ISO 14001:2015** Environmental Management Systems and **ISO 45001:2018** Occupational Health & Safety Management Systems certification to Pharmaniaga Logistics Sdn Bhd warehouse in Section 15, Selangor warehouse

Idaman Pharma Manufacturing Sdn Bhd successfully obtained the **ISO/IEC 17025** – Testing and Calibration Laboratories certification

INDICES REPRESENTATION

FTSE4Good

FTSE4GOOD BURSA MALAYSIA (F4GBM) INDEX

FTSE4GOOD BURSA MALAYSIA SHARIAH (F4GBMS) INDEX

ENVIRONMENTAL SOCIAL GOVERNANCE & ECONOMIC

ESG 4 STAR RATING

STANDARDS & CERTIFICATIONS

1 MS ISO 37001: 2016
Anti-Bribery Management Systems

2 ISO 45001: 2018
Occupational Health and Safety Management Systems

3 ISO 27001: 2013
Information Security Management Systems

4 ISO 9001: 2015
Quality Management Systems

5 ISO 14001: 2015
Environmental Management Systems

6 ISO/IEC 17025: 2017
Laboratory Quality Management Systems

7 ISO 13485: 2016
Medical Devices Quality Management Systems

8 ISO 18295-1: 2017
Customer Contact Centres

9 GOOD MANUFACTURING PRACTICE
Certification (Malaysia and Indonesia)

10 EU GOOD MANUFACTURING PRACTICE
Certification (Portugal)

11 MALAYSIA HALAL
Certification

12 MESTI
Certification

13 GOOD DISTRIBUTION PRACTICE Certification

14 GOOD DISTRIBUTION PRACTICE FOR MEDICAL DEVICES
Certification

AWARDS & RECOGNITION

1 NATIONAL ENERGY AWARDS 2021
Runner-Up: Category 1(A): Energy Management in Small & Medium Industries

2 ASEAN ENERGY AWARDS 2021
First Runner-Up: Energy Management for Building and Industry Category: Small & Medium Industry

3 MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS AWARDS 2021
Pharmaceutical Category

4 SUSTAINABILITY & CSR MALAYSIA AWARDS 2021
Company of the Year Award (Pharmaceutical)
Overall Excellence In COVID-19 & Community Initiatives

5 HR ASIA BEST COMPANIES TO WORK FOR IN ASIA AWARD 2021
Employer of Choice

6 GRADUATES' CHOICE AWARDS 2021
First Runner-Up in Healthcare (Equipment) Category

7 BRAND LAUREATE BUMIPUTERA ICONIC BRAND LEADERSHIP AWARD 2022
Brand of the Year in Integrated Pharmaceutical Solutions

8 MALAYSIA TOP ACHIEVERS 2022
Company of the Year - Pharmaniaga Berhad

9 MALAYSIA TOP ACHIEVERS 2022
Visionary Leader of the Year
Datuk Zulkarnain Md Eusope, Group Managing Director
Pharmaniaga Berhad

2021 CORPORATE MILESTONES

12 JANUARY

Pharmaniaga entered into an agreement with Sinovac Life Sciences Co., Ltd. to manufacture fill and finish as well as as well as serve as the exclusive distributor of Sinovac COVID-19 vaccine in Malaysia

26 JANUARY

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

27 FEBRUARY

The arrival of the first shipment of bulk vaccine from China at KLIA, for the purpose of process validation (PV) batch manufacturing as part of the registration application requirement by the National Pharmaceutical Regulatory Agency (NPRA). The 200-litre bulk equalled 300,000 doses of vaccine, arrived in an envirotainer that preserved the vaccine temperature between 2 to 8 degrees Celsius

24 MARCH

The first delivery of Sinovac COVID-19 vaccine to the Ministry of Health

9 APRIL

Pharmaniaga and Universiti Malaysia Terengganu (UMT) collaborated to commercialise production of Kelulut (stingless bee) honey

11 APRIL

Pharmaniaga Logistics Sdn Bhd was officially appointed as the sole distributor of Baraka Habbatus Sauda in Malaysia by Pharco Pharmaceuticals of Egypt

11 MAY

Obtained lot release approval for fill and finish manufactured Sinovac COVID-19 vaccine. A symbolic handover of the first batch of fill and finish manufactured vaccine to the Ministry of Health was held to commemorate this historic moment.

4 JUNE

Received conditional approval from the Drug Control Authority for Ravidasvir, first New Chemical Entity for Pharmaniaga and the world

3 JULY

Pharmaniaga was entrusted by Ministry of Health to manage the logistics and distribution of all AstraZeneca COVID-19 vaccines received via AstraZeneca, COVAX Facility and also vaccines donated by foreign Governments

27 JULY

Rabirox launched

16 JULY

Pharmaniaga successfully completed its obligation to supply 12.4 million doses of Sinovac COVID-19 vaccine to the Federal Government, 4.5 months ahead of schedule

31 JULY

Launched Arnia *Madu Kelulut* product range

1 AUGUST

Pharmaniaga began the supply of an additional 8 million doses of Sinovac COVID-19 vaccine to the Ministry of Health, completed in August 2021

6 AUGUST

Pharmaniaga began supplying Sinovac COVID-19 vaccine to State Governments and private sector

1 NOVEMBER

Pharmaniaga signed a Memorandum of Understanding with the National Institutes of Biotechnology Malaysia (NIBM) in the various areas of Research & Development (R&D) on vaccines that Malaysia aims to produce

13 NOVEMBER

Pharmaniaga exports fill and finish manufactured Sinovac COVID-19 vaccine to Myanmar

02 KEY MESSAGES

CHAIRMAN'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors, I am delighted to present to you the Integrated Report and financial statements of Pharmaniaga Berhad (the Company) for the financial year ended 31 December 2021.

The year 2021 has been a challenging year for the Company due to the COVID-19 pandemic, that had gripped the nation and brought businesses almost to a standstill.

WITH CHALLENGES COME OPPORTUNITIES

In the face of the pandemic, Pharmaniaga has played a pertinent role by fully capitalising all its capabilities, capacity and resources in order to support the Government and relevant authorities in managing the pandemic and protecting its citizens.

Investment decisions had to be made with full conviction that the interests of the country and its people were top priority. The Company invested on having the first pharmaceutical plant in Malaysia that do fill and finish COVID-19 vaccine, specifically to protect the population from the threats of COVID-19 virus.

Through our partnership with China-based Sinovac Life Sciences Co., Ltd., we successfully delivered almost 23 million doses of the much-needed vaccine to the Malaysian Government as well as to the private sector, which subsequently saw Malaysia having one of the fastest vaccination rates in the world during the peak of the pandemic.

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE

Non-Independent
Non-Executive Chairman

CHAIRMAN'S STATEMENT

It was an arduous challenge for the Company, being tasked with the COVID-19 vaccine manufacturing and delivery within a short timeframe. The task was successfully accomplished due to the strong technical capabilities and perseverance of our fully dedicated management and employees.

Pharmaniaga's logistics and distribution division worked tirelessly to ensure that the vaccines, other medicines and medical devices were delivered to all of the Ministry of Health's facilities nationwide according to the required schedule amidst the lockdown and movement restrictions.

I am pleased to report that with all the challenges of 2021, the Company delivered a record performance for the financial year ended 31 December 2021. Pharmaniaga successfully posted its highest ever net profit of RM172.2 million, increasing by over sixfold from RM26.3 million in 2020. Based on the Company's commendabe performance, the Board is declaring a dividend of 9.3 sen per share or a total dividend payout of RM121.8 million.

BUSINESS CONTINUITY AND SUSTAINABILITY

Pharmaniaga recognises the growing importance of the environmental, social and governance (ESG) agenda globally and in Malaysia. As such, the Company is committed in bolstering value creation to ensure business continuity. In line with this, we continue to drive our business operations sustainably by establishing policies and procedures that adhere to good ESG practices.

The Board Sustainability Committee guides the Company's sustainability policies and strategy, ensuring these are in line with the ESG agenda and giving utmost priority to the interests of our stakeholders. For more details on our ESG initiatives, please refer to our Sustainability Statement on pages 090 to 119 of this Integrated Report.

> "Pharmaniaga successfully posted its highest ever net profit of RM172.2 million, increasing by over sixfold from RM26.3 million in 2020"

POSITIVE PROSPECTS

Pharmaniaga products and services have a stronghold in terms of market share and presence in Malaysia. Nevertheless, the Company has been aggressively pursuing business expansion activities in its product range and also its market accessibility both locally and regionally.

The Company has its sight strongly focused on expanding its capabilities in the biopharmaceutical field, by forging strong partnerships with renowned international biopharmaceutical organisations, thus enhancing research & development works in this field. These activities will fortify Pharmaniaga's plans to further expand our ventures in the biopharmaceutical industry, including the setting up of the world's first Halal vaccine plant by 2023.

Our objective is to expand our portfolio of pharmaceutical and biopharmaceutical products, especially for non-communicable diseases and other ailments that are becoming more prevalent, thus ensuring access to a broader range of essential treatments for various segments of the market.

Regionally the Company is also currently active in Indonesia and sees further opportunities for it to embark on a wider regional expansion programme that will enable Pharmaniaga's products and services to be marketed to other neighbouring countries across the South East Asian region.

OUR APPRECIATION

Pharmaniaga's successes to date are a result of contributions from its various stakeholders. On behalf of the Board of Directors, I would like to take this opportunity to record our appreciation to our shareholders, customers, business associates and partners for their continued trust in ensuring 2021 was a commendable albeit challenging year for the Company.

Here, I would like to extend our sincere gratitude to our key stakeholders , namely the Ministry of Health; the Ministry of Science, Technology and Innovation; the Ministry of Defence; the Ministry of Higher Education; as well as to our non-governmental customers.

I wish to extend our sincere appreciation for the continued support given by our major shareholders, Lembaga Tabung Angkatan Tentera and Boustead Holdings Berhad; technical partners, financiers and other relevant authorities in Malaysia and internationally.

Most of all, I would like to acknowledge the hard work and dedication of our Pharmaniaga family – from the Board of Directors to our management, and all employees who have played a significant part in the Company's record success of 2021.

A special note of appreciation goes to my predecessor, Dato' Sri Mohammed Shazalli Ramly who served as Chairman of the Board since 1 March 2021. His invaluable contributions and commitment have helped raised the profile of Pharmaniaga. He will continue to contribute to the Company in his new role as a Non-Independent Non-Executive Director of the Board.

These are exciting times for Pharmaniaga Berhad as we embark on our reinvention and expansion programmes. I look forward to working closely and collaboratively with all of you to take this Company to its next level on our onward journey.

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent Non-Executive Chairman

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

GROUP MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

Malaysia is already home to a rapidly changing pharmaceutical landscape, regardless of COVID-19's presence. The country has benefitted from increasing investment to drive the pharmaceutical industry forward. As it is, Malaysia's pharmaceutical industry saw approved investments of RM397.67 million in the first nine months of 2021. This investment was much higher than the highest full-year figure approved in 2017 on the back of robust research and developments and the manufacturing of drugs innovations.

We are thankful that the Malaysian Government highly supports the domestic pharmaceutical market growth through innovative regulatory frameworks. It is also important to have support from the Ministry of International Trade and Industry (MITI), which has always placed great importance on the development of the pharmaceutical industry, particularly as the nation progresses into the new norm with COVID-19.

We are honoured to be part of the country's transition to the endemic phase in 2022, having delivered 20.4 million doses of Sinovac COVID-19 vaccine to the Malaysian Government 4.5 months ahead of schedule. In the process, we became the first pharmaceutical company in the country to fill and finish manufacture a human vaccine to combat the virus. This, together with other significant achievements, marked a memorable year, and it gives me pleasure to provide an account of our performance. The ability of Pharmaniaga to figure prominently in Malaysia's National COVID-19 Immunisation Programme (NIP) stems from several factors.

Firstly, we have been engaging with Sinovac Life Sciences Co., Ltd. (Sinovac) on setting up a Halal vaccine plant in Malaysia since 2017. As soon as the pandemic erupted, Sinovac swiftly shifted its focus to the development of a COVID-19 vaccine. Subsequently, in 2020, our Good Manufacturing Practices (GMP) and EU certified plant, Pharmaniaga LifeScience Sdn Bhd (PLS), was identified by the Government as capable and compliance-ready with the very strict process of manufacturing the vaccine in accordance with the requirements and international standards. The selection has made us a product registration holder and exclusive distributing partner in Malaysia.

This in itself is noteworthy as only four other pharmaceutical companies around the world were accorded the same approval including Indonesia, Brazil, Turkey and Chile. Sinovac chose Pharmaniaga because of the calibre of our people; the fact that we have a strong R&D team comprising pharmacologists, biologists, chemists, geneticists, researchers, pharmacists, formulators and regulatory & clinical affairs specialists.

Most importantly, Sinovac had the highest level of confidence in Pharmaniaga because of the trust that had developed between the two companies over the years. A lot of work had to be done quickly in order for Pharmaniaga to meet our initial commitment to supply the Government with 12.4 million doses of the vaccine. We had to retrofit our Small Volume Injectable (SVI) plant to carry out fill and finish manufacturing activities. We had to complete the transfer of technology from Sinovac to expedite the availability of vaccines against the pandemic.

GROUP MANAGING DIRECTOR'S REVIEW

Upon receiving the first batch of bulk Sinovac vaccine at the end of February 2021, we had to undergo a series of tests, one of which was conducted by external parties and obtain approvals by the relevant authorities for the end product, including lot release approval by the National Pharmaceutical Regulatory Agency (NPRA). The entire process was technologically demanding, but with hard work, perseverance, sacrifice and most of all, our passion to protect the nation against COVID-19 with full dedication and determination, on 16 July 2021, we successfully completed the delivery of 12.4 million doses to the Government, four-and-a-half months ahead of schedule. This was a huge relief and a moment of pride for all of us at Pharmaniaga. Subsequently, the Government raised its order by another eight million doses.

To fulfil this, we delivered a combination of fill and finish vaccine from Pharmaniaga as well as the finished product produced by Sinovac. On 1 October 2021 and 3 March 2022, we obtained approval from DCA for the use of the vaccine among adolescents (12-17 years) and children aged five to 11 years respectively.

We have also begun exporting the vaccine to support the vaccination programmes of neighbouring countries, marking the beginnings of vibrant export business.

Currently, we have supplied a total of 30,000 doses of the fill and finish manufactured COVID-19 vaccine by PLS to a Myanmar-based pharmaceutical company.

Chronology of the Sinovac COVID-19 Vaccine Programme

- **July 2020** — Government identified Pharmaniaga as a Malaysian pharmaceutical company that has the capability to manufacture the COVID-19 vaccine
- **12 January 2021** — Entered into agreement with Sinovac Life Sciences Co., Ltd. for the supply of 14 million doses of bulk COVID-19 vaccine to be filled and finished by Pharmaniaga
- **26 January 2021** — Pharmaniaga signed an agreement with the Government to supply 12.4 million doses of the Sinovac COVID-19 vaccine to MOH
- **27 February 2021** — First batch of bulk Sinovac COVID-19 vaccine arrived for the purpose of manufacturing process validation
- **2 March 2021** — Approval from the Drug Control Authority (DCA) for Sinovac COVID-19 vaccine finished product
- **24 March 2021** — Distribution of finished Sinovac COVID-19 vaccine to Government hospitals and PPVs
- **2 April 2021** — Pharmaniaga LifeScience Sdn Bhd completed potency test to confirm the quality of fill and finish Sinovac COVID-19 bulk vaccine by SIRIM
- **23 April 2021** — Approval from the DCA for filled and finished Sinovac COVID-19 vaccine produced by PLS
- **11 May 2021** — Lot release approval for fill and finish Sinovac COVID-19 vaccine
- **1 June 2021** — WHO approved Sinovac COVID-19 finished product by Sinovac under its Emergency Use Listing (EUL)
- **16 June 2021** — Distribution of the Sinovac COVID-19 vaccine to the state Government and private sector
- **17 June 2021** — Approval from NPRA for two-dose vials of the Sinovac COVID-19 finished product vaccine
- **16 July 2021** — Pharmaniaga completed the distribution of 12.4 million doses of the Sinovac COVID-19 vaccine to the Federal Government, 4.5 months ahead of schedule
- **19 July 2021** — Approval from NPRA to produce two-dose vials of the filled and finished Sinovac COVID-19 vaccine, as opposed to single-dose vials, doubling our monthly capacity from 2 million to 4 million doses
- **26 July 2021** — Government ordered another 2 million doses of Sinovac COVID-19 vaccine
- **12 August 2021** — Government requested another 6 million doses of Sinovac COVID-19 vaccine
- **1 October 2021** — DCA approved the use of Sinovac COVID-19 vaccine for adolescents aged 12 to 17 years
- **17 November 2021** — Approval by DCA for the use of Sinovac COVID-19 booster shots for those aged 18 years and above
- **6 January 2022** — DCA approved the renewal of Sinovac COVID-19 vaccine (finished, and filled and finished products) for another year
- **3 March 2022** — DCA approved the use of Sinovac COVID-19 vaccine for children aged 5 to 11 years

Other than the COVID-19 vaccine, Pharmaniaga was also entrusted by the MOH to manage the COVAX facility as well as the logistics and distribution of the AstraZeneca COVID-19 vaccine received from various parties, including those donated by foreign Governments. The first batch of 586,700 AstraZeneca vaccines was shipped from Siam Bioscience Co. Ltd., Thailand on 2 July 2021. In total, we delivered 4.7 million doses of the vaccine to the Government in 2021.

REINVENTING PHARMANIAGA

Pharmaniaga continued to make good progress in various ongoing as well as new initiatives. In 2020, along with other companies within the Boustead fold, we embarked on a comprehensive programme to reinvent ourselves – to focus on creating efficiencies in ongoing operations and explore new business opportunities.

Our goal is to become the leading pharmaceutical company in Malaysia whilst also contributing to the healthcare needs of people in the region. No less than seven initiatives have been identified to reinvent Pharmaniaga, of which five have been prioritised. The topmost priority was to ensure the successful execution of the COVID-19 programme.

Prior to COVID-19, we had been pursuing the development of halal vaccines in collaboration with Sinovac and other parties and were already in the process of setting up a fill and finish manufacturing facility for halal vaccines under PLS. Since advancing our capabilities with the COVID-19 vaccine, we are in a stronger position to take this niche development further. The manufacturing plant is expected to be completed by end of 2024.

Leveraging our increasing technical capabilities, we have also made the strategic decision to explore the biopharmaceuticals sector more extensively to offer affordable treatments for prevalent diseases such as diabetes which afflicts about one in five Malaysians. The plant is expected to be completed by 2025.

Another area in manufacturing that we are exploring is veterinary medicine. We believe this segment holds a lot of potential as not many local pharmaceuticals are filling the space. We are currently in discussions with research teams at Universiti Malaysia Terengganu (UMT) and Universiti Malaysia Kelantan (UMK) which are already conducting work on various veterinary vaccines. Meanwhile, we have initiated market research with an end-to-end animal health solutions provider, to identify the market's needs.

Additionally, our logistics and distribution unit, Pharmaniaga Logistics Sdn Bhd (PLSB), received a letter on 28 December 2021 from the MOH for the extension of services for another year until 31 December 2022. This was followed by a second letter in early January 2022 agreeing in principle to the continuation of medical supply logistics services to MOH facilities for a period of 10 years, from November 2022 to November 2032.

Creating further logistics efficiencies, we are in the process of digitalising our systems and processes, starting with the

Collaboration with government agencies

To take vaccine development to the next level, our wholly-owned subsidiary, Pharmaniaga Research Centre Sdn Bhd (PRC), signed a Memorandum of Understanding (MoU) with the National Institutes of Biotechnology Malaysia (NIBM) to develop and produce various vaccines for babies, children and adults. The objective is to reduce the nation's reliance on imported vaccines, as currently no human vaccines are developed and produced locally. PRC is well-equipped for such an undertaking as it has more than 300 scientists who have developed more than 240 generic drugs.

GROUP MANAGING DIRECTOR'S REVIEW

implementation of the Oracle Transportation Management (OTM) System which uses the Internet of Things (IoT) in order to track the movement of goods whilst integrating our billing and delivery onto the same platform. The project kicked off in December 2020 and went live on 19 April 2021. Since its implementation, we continued to fine-tune the system based on user feedback as well as output from the system.

Moving forward, we seek to upgrade our warehouses with an Automated Storage & Retrieval System (ASRS) which will allow us to maintain a high level of efficiency even as the volume of goods managed increases exponentially.

BUILDING THE BRAND

During the pandemic, sales of wellness and health products increased manifold as more people were keen on boosting their immunity. Capitalising on this trend, Pharmaniaga took the opportunity to create greater awareness of our over-the-counter brands such as Citrex Vitamin C, ActiMol and Baraka Habbatus Sauda. We continued investing in strategic TV placement activities to heighten brand awareness and increase sales. We embarked on an aggressive distribution and merchandising drive targeting pharmacies and traditional outlets to improve our in-store brand presence and stock weight. Together with increased trade support and weekend sampling, we achieved sellouts for our key brands.

Moving forward, we seek to further improve our brand portfolios with the launch of new products. We have put together a comprehensive new product development list in order to meet our targeted product launches in the next three to five years.

> **"Continuation of medical supply logistics services to MOH facilities for a period of 10 years, from November 2022 to November 2032"**

To meet the growing demand for healthcare products, we will continue to equip our sales and marketing team with a proper training and development programme to enhance their skills and knowledge. For prescription drugs, we continue to engage with Key Opinion Leaders (KOLs) such as doctors and other healthcare professionals via online webinars and physical programmes on healthcare topics that are relevant to our growing portfolio. Such engagements are expected to have a significant impact on our business presence and activities. It helped us to capture 10% of the prescription analgesic market share with Rabirox, an in-house manufactured drug, in less than six months of its launch.

INDONESIA OPERATIONS

We have been operating in Indonesia for the last 17 years, and it continues to be an important market given its huge population of over 270 million people.

During the year, Errita, our manufacturing arm, commercialised 15 new products and submitted another 15 products to the National Agency for Drug and Food Control (*Badan Pengawas Obat dan Makanan*) or BPOM for approval. It also established a new sales team to serve 45 major towns and embarked on online sales via platforms such as Tokopedia and Bukalapak. MPI, meanwhile, moved four of its branch offices into new premises to fulfil Good Distribution Practice (GDP) requirements. MPI is a national distributor with 33 branches throughout Indonesia serving 34 principals and over 17,000 active medical channels comprising government hospitals, private hospitals, pharmacies and modern retail outlets.

2021 posed MPI with many challenges such as the prolonged COVID-19 pandemic, emergence of new variants of the virus, stiff competition resulting in reduced distribution margin, delayed payments from customers and an increase in Provincial Minimum Salary. Despite the challenges faced, MPI was able to maintain a strong presence and further expand its reach in Indonesia.

Moving forward, we will be re-organising processes within these two subsidiaries, upgrading their information technology systems, and creating better synergies between them.

FINANCIAL PERFORMANCE

We were extremely pleased with our financial performance for the year, which was greatly enhanced by improved demand across all our business segments – logistics & distribution contract with the Government, private sector and Indonesian operations.

2021 saw our supply of COVID-19 vaccine to the rakyat as a main contributor to the significant increase of our revenue to RM4.8 billion from RM2.7 billion in 2020. Together with enhanced cost savings, our profit after zakat and tax (PAT) surged more than sixfold to RM172.2 million from RM26.3 million in 2020.

SUSTAINABILITY

The very nature of our business, namely to enhance the well-being of people, is instrumental to achieving sustainability. We recognise the need to extend our efforts to encompass broader environmental, social and governance aspects that are becoming increasingly important in today's environment.

We outlined a five-year blueprint in 2020 to fully integrate sustainability considerations into our operations and guide our sustainability actions. Five goals have been identified.

Amongst the most pressing global sustainability issues today is climate change; and as a manufacturer as well as providers of logistics services, we understand that we have a role to play in collective efforts to transition towards a low-carbon economy. Various initiatives have been implemented to reduce our emissions, and we are building our systems and processes to better track and monitor our carbon footprint.

Meanwhile, it gives me pleasure to share that our Greenhouse Gas (GHG) emissions has reduced by 15% in 2021 against the 2019 baseline.

OUTLOOK

Two months into 2022, the number of COVID-19 cases has been increasing due to the emergence of a more contagious variant, Omicron. However, hospitalisation and death rates have not escalated in tandem, indicating that the country's high vaccination rate is protecting the people, or that the new variant is not particularly virulent, or both.

> **"2021 saw our supply of COVID-19 vaccine to the *rakyat* as a main contributor to the significant increase of our revenue to RM4.8 billion from RM2.7 billion in 2020"**

GROUP MANAGING DIRECTOR'S REVIEW

Forecasted GDP for 2022:

5.3% – 6.3%

RM32.4 BILLION

Healthcare Expenditure Budget 2022

> **Our Greenhouse Gas (GHG) emissions has reduced by 15% in 2021 against the 2019 baseline**

As such, the Government is confident with the level of immunity reached to start treating COVID-19 as endemic. The repercussions on the economy are significant, with Bank Negara Malaysia predicting gross domestic product (GDP) growth of between 5.3% and 6.3% in 2022.

This is slightly lower than the Government's official forecast of a 5.5% to 6.5% growth in the nation's GDP for the year. Nevertheless, an allocation of RM32.4 billion for healthcare expenditure budget 2022 (not including another RM4 billion for COVID-19 management)[3] bodes well for the pharmaceutical industry.

Pharmaniaga fully supports the Budget, specifically the intent to care for the well-being of the *rakyat* through the promotion of healthier lifestyles and management of healthcare issues such as non-communicable diseases (NCDs).

We also laud the Government's plans to procure antiviral medicines to fight COVID-19 and other diseases. In terms of the former, we are expanding our product portfolio to include more treatments for NCDs. We already have a strong presence in the cardiovascular and basic diabetic segments, we are working to manufacture insulin; and as we scale up our biopharmaceutical manufacturing capabilities, we will include other important medications as well as vaccines to treat the wider spectrum of diseases that commonly afflict Malaysians.

A key theme in 2022 will be expansion – in terms of partnerships, product portfolio and geographical presence. Amongst others, we are collaborating with the Malaysia Healthcare Travel Council (MHTC) to explore two programmes, namely 'Malaysia as Hepatitis C Treatment Hub of Asia' and 'COVID-19 and other Vaccination Programmes for Healthcare Travellers'. Our role will be to supply the Hepatitis C drug Ravidasvir, as well as COVID-19 and other vaccines for the programme and to ensure their distribution to participating hospitals/healthcare centres. We will also provide access to KOLs; assist in the development of the platform/system for the vaccination programme, and carry out the required marketing and promotions.

Geographically, we seek to broaden our footprint in Indonesia whilst establishing a presence in other markets within the region. In Indonesia, we plan to achieve better efficiencies and generate sustainable earnings as we grow our product portfolio and realign our marketing strategies.

> **Our role will be to supply the Hepatitis C drug as well as COVID-19 and other vaccines for the programme and ensure their distribution to participating hospitals and healthcare centres**

Safety is of paramount importance. Hence, I would like to express my sincere gratitude to the dedicated Royal Malaysian Police Force (PDRM) and the Armed Forces for extending their invaluable support in ensuring the safety of our warehouse operations and allowing us to transport safely huge volumes of COVID-19 vaccines to various drop points. Thank you for keeping our country safe.

Lastly, I 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

03
VALUE CREATION

VALUE CREATION

OUR KEY RESOURCES

Our key resources comprise the six capitals that we leverage in order to create value. Each capital is important to our operations and all are interrelated. In managing these capitals, we therefore need to make strategic decisions to ensure optimal outcomes.

FINANCIAL CAPITAL

Our financial capital are the financial resources available to us, and come in the form of shareholders' funds, the profits we make from our business activities, and borrowings/financing from credit suppliers. Our objective is to maintain a strong balance sheet by managing our debts and cash flow; as well as to preserve shareholder value through strategic investment in R&D, digitalisation and modernisation.

MARKET CAPITALISATION
RM969.4 MILLION

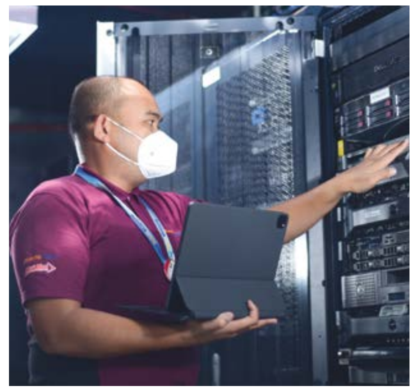
BORROWINGS
RM855.2 MILLION

MANUFACTURED CAPITAL

This consists of all the tangible assets we rely on for our operations, namely seven manufacturing plants (six in Malaysia, one in Indonesia); and 38 distribution centres (33 in Indonesia; five in Malaysia). We continuously upgrade the capacity and capabilities of our physical assets to support business growth whilst ensuring compliance with all the relevant industry standards.

INVESTED
RM10.0 MILLION
IN ENHANCING THE READINESS OF OUR MANUFACTURING FACILITY IN PREPARATION FOR COVID-19 VACCINE

INTELLECTUAL CAPITAL



We have built significant intellectual capital through our proprietary and licensed products, brands, dossiers, technologies, software, licenses and standard operating procedures. Our own R&D centre is responsible for the continuous development of new products.

We have also entered into partnership with international biotechnology organisations through which we gain from technology transfer.

RM43 MILLION
SPENT ON R&D AND TECHNOLOGY TRANSFER

HUMAN CAPITAL

We recognise that our people are our most important asset as they are key to the Company's successful future. We currently employ 3,642 people across our operations in Malaysia and Indonesia, and are committed to continue attracting the best talent, enrich their knowledge to maintain operational excellence whilst providing a safe and rewarding work environment.

Continuous training and development is provided to help our employees unlock their true potential, whilst constant engagement ensures they are aligned with our values and vision.

PERMANENT EMPLOYEES
3,642

26
TRAINING HOURS PER EMPLOYEE

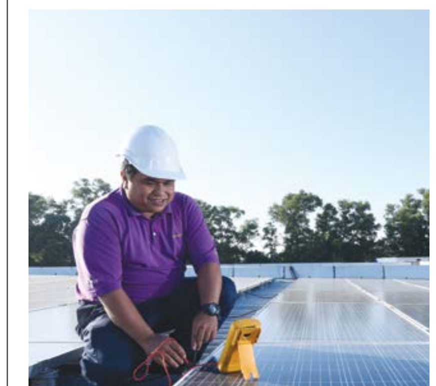
SOCIAL & RELATIONSHIP CAPITAL

Our stakeholders – namely our customers, suppliers, investors and communities – are critical to sustaining our growth. We therefore strive to build and maintain strong, trust-based relationships with each stakeholder group through targeted corporate and social initiatives. For example, we support small and medium-sized enterprises (SMEs) via the RoyalePharma Alliance and our Vendor Development Programme. Various other programmes are carried out to engage with all our stakeholders.

RM7 MILLION
INVESTED IN CORPORATE RESPONSIBILITY

RM24.1 MILLION
ZAKAT DISTRIBUTION

NATURAL CAPITAL



We use a significant amount of natural resources such as water and fuel directly as well as indirectly – through packaging material, raw products and electricity – in our operations. As natural resources are finite, we seek to use them efficiently. At the same time, we are conscious of the need to manage our waste responsibly and to reduce our carbon footprint in order to contribute to climate change solutions.

RM2.5 MILLION
INVESTED IN ENVIRONMENTAL SUSTAINABILITY

768.68 GJ
GENERATED FROM SOLAR ENERGY

OUR VALUE CREATING BUSINESS MODEL

Our business model enables us to manage our resources and relationships responsibly to deliver the best outcomes for our stakeholders

GUIDED BY.... OUR VISION & MISSION

UNDERPINNED BY.... OUR CORE VALUES

OUR CAPITALS... ...ENABLE VALUE-ADDING ACTIVITIES... ...THAT CREATE VALUE FOR OUR STAKEHOLDERS

INPUTS

FINANCIAL CAPITAL

- Shareholders' Equity: **RM450.5 million**
- Borrowings: **RM855.2 million**
- Net Asset Value: **RM470.4 million**
- Cash Generated from Operations: **RM30.8 million**

MANUFACTURED CAPITAL

- **8** Manufacturing plants
  – **6** Malaysia – **2** Indonesia
- **38** Logistics & distribution sites
  – **5** Malaysia – **33** Indonesia
- **8** Core IT Systems which are being modernised as part of our technology journey
- Investment in Property, Plant & Equipment for manufacturing: **RM23.6 million**

INTELLECTUAL CAPITAL

- Total Investments in R&D: **RM20.1 million**
- **2** R&D Centres
- **140** Scientists

HUMAN CAPITAL

- Invested in Employee Training and Development: **RM1.6 million**
- Total Employees:
  - **1,424** or **39%** Female – **2,218** or **61%** Male
- **35%** of employees are able to work remotely during lockdown
- Diverse skilled senior management team and Board

SOCIAL & RELATIONSHIP CAPITAL

- Average volunteering hours invested in community development: **372 hours**
- Local procurement: **43%**
- Continuous engagement with communities where we operate

NATURAL CAPITAL

- GHG Emissions reduced by **15%** against 2019 baseline
- Scheduled waste to landfill: **24.5 tonnes**
- **ZERO** non-compliance of Environmental Laws/ Regulations

STRATEGIC PILLARS

- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare and Nutraceuticals for Sustainable Growth
- Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Strengthen footprints in International Ventures via Focus countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
- Reinforce Human Capital through Capability Building for Superior Performance

KEY MARKET TRENDS

- Rise of Biopharmaceuticals
- Industrial Revolution 4.0 (Ir4.0)
- Global Healthcare Market
- Compliance & Regulatory Environment
- COVID-19 Pandemic

KEY RISKS

- Business Risk
- Financial Risk
- Environmental Sustainability Risk
- Cybersecurity Risk
- Legal and Regulatory Risk

BUSINESS ACTIVITIES

MANUFACTURING

LOGISTICS & DISTRIBUTION

INDONESIA OPERATIONS

OUTPUTS

PRODUCTS

Wide range & a diversified basket of products spanning across therapeutic categories:

- Cardiovascular system
- Gastro intestinal
- Central nervous system
- Respiratory
- Systemic Anti-Infectives
- Genitourinary
- Analgesics & Musculoskeletal
- Anti-diabetic
- Supplements
- Nutraceuticals

WASTE

Carbon Emissions and the generation of waste – an inevitable consequence of the Group's operations, production and distribution.

- 399 tonnes of waste recycled
- 138.19 reduction in hazardous waste
- Converted 6.99 tonnes of scheduled waste into alternative raw material

OUTCOMES

FINANCIAL CAPITAL

- Total Revenue: **RM4.8 billion** (2020: RM2.7 billion)
- Profit Before Zakat & Taxation: **RM277.1 million** (2020: RM35.8 million)
- Profit After Tax: **RM172.2 million** (2020: RM26.3 million)

MANUFACTURED CAPITAL

- A diversified product portfolio of over **201** products in **3** dosage forms and more than **30** therapeutic categories
- Providing high-quality, affordable medicines and products: Revenue **RM1.9 billion**

INTELLECTUAL CAPITAL

- **176** products registered in **14** countries
- Number of registered in-house products for:
  – Generic (include Schedule & Non-Schedule (OTC) Poison): **209** products
  – Health Supplement and Traditional Medicine: **221** products

HUMAN CAPITAL

- >**2,239** employees trained internally & externally
- Employee welfare: **RM15.8 million** (2020: RM8.9 million)
- Employment opportunities and skills development provided to our employees

SOCIAL & RELATIONSHIP CAPITAL

- Total Corporate Social Investment: **RM30.7 million**
- **57%** procurement budget spent on International sourcing

NATURAL CAPITAL

- Emissions intensity reduced by **46.6%**
- Scheduled waste to landfill: **51,572.29 kg**
- **ZERO** Violations of Environmental Laws/ Regulations

STAKEHOLDER

MATERIAL MATTERS

1. Accessibility of Healthcare Products
2. Product Quality
3. Product Responsibility
4. Service Quality
5. Customer Satisfaction
6. Economic and Financial Sustainability
7. Data Privacy and Security
8. Labour Practices
9. Material and Waste Management
10. Occupational Health and Safety
11. Employee Engagement
12. Good Corporate Governance and Integrity
13. Water and Effluent Discharge Management
14. Community Contribution and Development
15. Equal Opportunity
16. Affordable Healthcare Products
17. Hazardous Gas Emissions and Energy Management
18. Accessibility of Halal Products
19. Training and Development
20. Job Opportunities
21. Providing Business Opportunities

SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK....
HIGHEST STANDARDS OF GOVERNANCE AND EFFECTIVE BOARD LEADERSHIP

VALUE CREATION

STAKEHOLDER ENGAGEMENT

We have a broad range of stakeholders who we impact and, who in turn, impact us. Given this interdependence, we take our stakeholders' expectations into consideration when developing strategies and decision-making. Trust is key to maintaining healthy stakeholder relations, hence we invest in maintaining an open and transparent dialogue. Ultimately, we seek to create value for all our stakeholders by understanding their needs and creating clarity on our business.

GOVERNMENT & REGULATORY BODIES

WHY WE ENGAGE

The Government and regulators establish the legal frameworks that shape our operations. By engaging with them, we are kept aware of changes in the regulatory environment and are better able to manage our compliance risk.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT

Dialogue sessions	M
Meetings	M
Correspondence through phone, emails, letters and fax	D
On-site inspections	AWR
Government Service Representative	D

KEY CONCERNS

- Access to affordable healthcare products
- Regulatory compliance
- Compliance with environmental standards
- Compliance with occupational safety and health standards
- Best practices and policies

RESPONSE

- Accessibility of Healthcare Products, page 101
- Good Corporate Governance and Integrity, page 103
- Hazardous Gas Emissions and Energy Management, page 107
- Water and Effluent Discharge Management, page 107
- Material and Waste Management, page 107
- Occupational Health and Safety, page 110

Frequency of Engagement

D Daily	A Annually	BA Bi-Annually	Q Quarterly	W Weekly
M Monthly	S Seasonal	BM Bi-Monthly	O Ongoing	AWR As and When Required

CUSTOMERS

WHY WE ENGAGE

Our business growth depends on the continued support of our customers. We strive to maintain existing customers and gain new ones through the delivery of superior products and services.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT

Customer care-site visits	AWR
Customer satisfaction surveys	BA
Dialogue sessions	M

KEY CONCERNS

- Product quality
- Product responsibility
- Regulatory compliance
- Customer complaints
- Halal-certified products
- Corporate responsibility

RESPONSE

- Product and Service Quality, page 100
- Product Responsibility, page 100
- Customer Satisfaction, page 100
- Accessibility of Halal Products, page 101
- Community Contribution and Development, page 118

EMPLOYEES

WHY WE ENGAGE

Our people are our most important asset, hence we are steadfast in ensuring their safety and well-being whilst also empowering them with the right work environment, culture and tools to drive performance excellence

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT

Internal communication	D
Engagement sessions	O
– Town Halls	A
– Assemblies	W
– Religious activities	S
Volunteer programmes	BM

KEY CONCERNS

- Product quality
- Product responsibility
- Regulatory compliance
- Customer complaints
- Halal-certified products
- Corporate responsibility

RESPONSE

- Employee Training and Development, page 111
- Occupational Health and Safety, page 110
- Environmental Compliance, page 105
- Equal Opportunity, page 114
- Fair Labour Practices, page 109
- Employee Engagement, page 109
- Economic & Financial Sustainability, page 099
- Job Opportunities, page 109

VALUE CREATION

STAKEHOLDER ENGAGEMENT

SUPPLY CHAIN PARTNERS

WHY WE ENGAGE

Engaging with our partners and supply chain vendors enables effective business collaboration, whilst also ensuring adherence to sustainability principles across our value chain.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT	
Periodic meetings	M
Annual reporting	M
Visits	A

KEY CONCERNS

- Procurement practices and policies
- Business integrity
- Financial stability
- Environmental conservation and preservation
- Vendor performance

RESPONSE

- Economic & Financial Sustainability, page 099
- Good Corporate Governance and Integrity, page 103
- Environmental Compliance, page 105
- Providing Business Opportunities, page 117

PROVIDERS OF FINANCIAL CAPITAL

WHY WE ENGAGE

Engaging with our financiers and shareholders enables us to align our business practices with their needs and expectations. This, in turn, helps to drive long-term shareholder value.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT	
Annual General Meeting	A
One-to-one sessions	AWR
Fund analysts briefings	Q

KEY CONCERNS

- Economic contribution
- Regulatory compliance

RESPONSE

- Economic & Financial Sustainability, page 099
- Good Corporate Governance and Integrity, page 103
- Environmental Compliance, page 105
- Providing Business Opportunities, page 117

Frequency of Engagement

D Daily	A Annually	BA Bi-Annually	Q Quarterly	W Weekly
M Monthly	S Seasonal	BM Bi-Monthly	O Ongoing	AWR As and When Required

MEDIA

WHY WE ENGAGE

The media delivers corporate news to all our other stakeholders, creating visibility and public confidence in our brand.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT	
Advertisements	AWR
Product placements	AWR
Media coverage	AWR

KEY CONCERNS

- Product accessibility and availability
- Economic contribution

RESPONSE

- Economic & Financial Sustainability, page 099
- Product and Service Quality, page 100

COMMUNITIES

WHY WE ENGAGE

We believe in caring for the community as it is an extension of our customer base. By engaging with the community we are able to foster mutually beneficial relationships and collaborate to protect the environment.

ENGAGEMENT PLATFORMS & FREQUENCY OF ENGAGEMENT	
Health awareness programmes	AWR
Charitable contributions	AWR
Professional bodies and associations	AWR

KEY CONCERNS

- Community service
- Job creation
- Environmental conservation and preservation
- Corporate responsibility
- Community development

RESPONSE

- Environmental Compliance, page 105
- Job Opportunities, page 109
- Community Contribution and Development, page 118

ADDRESSING STAKEHOLDER NEEDS DURING THE PANDEMIC

As a leading pharmaceutical company in Malaysia, Pharmaniaga has played a key role in helping the Government manage the pandemic through active participation in its National COVID-19 Immunisation programme. In 2021, we became the first pharmaceutical company in Malaysia to fill and finish manufacture a human vaccine.

In addition to fulfilling this national duty, we have placed top priority on keeping our employees and other stakeholders safe. We have also provided Sinovac COVID-19 vaccination, face masks, sanitisers and Antigen Rapid Test Kits (RTKs) in addition to food, financial and other forms of assistance to various groups within our extended circle of influence.

Key initiatives undertaken for our key stakeholders are described below.

GOVERNMENT

- Supplied the Government with 20.4 million doses of Sinovac COVID-19 vaccine
- Donated RM3.0 million for *Program Bakul Prihatin Negara*
- Donated more than RM300,000 for personal protective equipment (PPE) to Government bodies
- Distributed COVID-19 kits to universities and food packs to night shift frontliners at the COVID-19 wards of *Hospital Sungai Buloh*, *Hospital Tengku Ampuan Rahimah*, *Hospital Kuala Lumpur* and *Hospital Angkatan Tentera Tuanku Mizan*

EMPLOYEES

- Established a COVID-19 Task Force which issued regular advisories and assistance to care for employees affected by the pandemic
- Conducted bi-weekly swab tests for all employees, with costs borne by Company
- Implemented strict SOPs as guided by the National Security Council and Ministry of International Trade and Industry - including physical distancing, use of PPE, conducting temperature checks, health monitoring, installation of contactless face recognition and body temperature scanner and travel declarations
- Provided 3-ply facemasks and hand sanitisers for all employees
- Provided packed food for employees and installed partitions at all cafeterias and pantries
- Sanitised affected office and work sites in the event of positive cases
- Provided vaccination and boosters for all employees and dependents (spouses and children aged 12 and above)
- Provided work from home arrangement for employees
- Transitioned physical events to online platforms
- Provided Quarantine Leave to infected employees or those affected by COVID-19
- Distribution of food baskets/gift packs to employees infected with COVID-19 under *Bantuan Pharmaniaga Prihatin*
- RM300 given to each infected employee under a Joint Consultative Council (JCC) Relief Fund

CUSTOMERS

- Formation of working group with MOH to closely discuss the supply of COVID-19 related products
- Set up a team of MOH Service Representatives to visit Government facilities for personalised service and engagement
- Shifted our focus towards pandemic-related products such as masks and gloves whilst maintaining supply of essential and lifesaving products such as cardiovascular, diabetic and blood products
- Continued to engage with customers on digital platforms and organised webinars/online conferences for medical associations and practitioners
- Sales team was trained to conduct sales activities via mobile applications
- Monitored performance and market trends using digital dashboards and cloud applications

COMMUNITIES

- Contributed RM24.1 million in zakat to Majlis Agama Islam throughout Malaysia
- Donated RM1.1 million for personal protective equipment (PPE) to the National Disasters Management Agency (NADMA) and non-governmental organisations (NGOs)
- Donated face masks, hand sanitisers, thermometers, COVID-19 self-test kits and Citrex Vitamin C to childcare centres and schools

SUPPLIERS/VENDORS

- Carried out drive-through submission process for tender activities
- Maintained strict SOPs at all our facilities and implemented containment measures such as performing swab test prior to entering the workplace
- Required temperature checks and health status declaration of contractors, suppliers and business partners, as well as MySejahtera scanning before entering premises
- Use of smart communication channels to improve supply chain and production of COVID-19 related products to meet gaps, along with alternative supply options
- Focus on Industry 4.0 as a significant driver when reducing the impact of identified challenges, such as the implementation of Oracle Transport Management

SHAREHOLDERS, INVESTORS & FINANCIERS

- Rewarded shareholders with a dividend payment of RM121.8 million or 9.3 sen per share for 2021
- Hosted virtual quarterly results briefings
- Issued annual report and hosted our Annual General Meeting (AGM) within the allowable time frame
- Livestreamed our virtual AGM on 16 June 2021, enabling a platform for shareholders to ask questions to the Board

04

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC REVIEW

KEY MARKET TRENDS

A number of global trends influence the pharmaceutical industry and our business decisions. We understand those trends and our strategy positions us well to navigate them. Our high-quality portfolio of assets, relentless approach to innovation and talented people – combined with our business decisions aligned to our Purpose – set us up to take advantage of commercial and other opportunities, thereby unlocking our full potential for sustainable value creation.

GLOBAL HEALTHCARE MARKET

The global pharmaceutical market was estimated to be worth USD1.25 trillion in 2021 and is projected to grow at a compound annual growth rate (CAGR) of 8% over the next decade to reach USD2.7 trillion in 2031. North America is the largest region in the global pharmaceutical market, accounting for 46% of the total market in 2020, and Asia Pacific the second largest region with 26% market share. The industry's healthy expansion is driven by various factors, most pertinently global population growth, ageing populations, increasing awareness of the prevention and treatment of diseases, enhanced purchasing power as well as access to quality healthcare.

Potential Impact

Along with global expansion of the pharmaceutical market, new opportunities will arise in various regions. Asia Pacific is already the second largest market, as it is home to four of the world's most highly populated countries namely China, India, Indonesia and Pakistan. Opportunities for the pharmaceutical industry, therefore, will be significant in this region.

How We Responded

Pharmaniaga is already a leading pharmaceutical company in Malaysia and has established a presence in Indonesia, a country with a population of more than 270 million, through PT Errita and PT MPI. Both companies will be strengthened to focus on streamlining business processes and increasing profit margins. At the same time, Pharmaniaga is exploring the possibility of international joint ventures in collaboration with Governments and private sector healthcare organisations to expand into more markets, with a focus on Southeast Asia, Europe as well as the Middle East and North Africa.

Outlook

The world's population is expected to increase by two billion in the 30 years from 2020 (7.7 billion) to 2050 (9.7 billion). With more people, basic needs – including that for medicines and general healthcare – will continue to increase.

RISE OF BIOPHARMACEUTICALS

The pandemic has significantly increased the demand for biopharmaceutical products, especially COVID-19 vaccines, with 11.4 billion doses administered globally and 13.3 million doses administered daily as of April 2022. Apart from COVID-19, key drivers of the biopharmaceuticals market include growing geriatric population and increased investment in research and development by pharmaceutical companies as well as research institutions worldwide. The growing incidence of Non-Communicable Diseases (NCDs) such as diabetes is another factor, with half a billion diabetic patients in the world pushing up demand for biosimilars insulin and insulin delivery devices. In Malaysia, the number of diabetic patients has increased by 120% to 4.4 million since 2011.

Potential Impact

Given their efficacy, there has been greater focus on and investment in biopharmaceuticals globally. Valued at USD296.6 billion in 2021, the global biopharmaceuticals market is expected to grow at a CAGR of 12.5% to reach USD856.1 billion in 2030, with North America being the largest market and Asia, the fastest growing.

How We Responded

As part of our long-term business strategy, Pharmaniaga plans to venture into the biopharmaceuticals segment and especially in the development of vaccines and insulin. We have made a start with the transfer of technology from our partner, Sinovac, to retrofit our Small Volume Injectables (SVI) plant to carry out COVID-19 vaccine fill and finish work. We are currently expanding our capacity to manufacture Halal vaccines and expect a new plant to be completed by 2023. We are also developing another fill and finish insulin manufacturing facility for the production of recombinant human insulin products as well as insulin analogues. This plant is expected to be completed by 2024.

Outlook

Pharmaniaga will continue to track developments in the biopharmaceuticals market and continuously enhance our technical capabilities to manufacture biosimilars in the country. In this manner, we will be able to supply more affordable biopharmaceuticals to patients in Malaysia and the region as well as help enhance the management of NCDs.

INDUSTRIAL REVOLUTION 4.0 (IR4.0)

Even prior to COVID-19, the digital revolution had been disrupting businesses and daily life. Since the pandemic, the pace of adoption has been accelerating as life has shifted online. Recognising the multifarious benefits of digital technologies, organisations across the board have been investing increasingly more into digital technologies as part of their corporate strategies. In the pharmaceutical sector, leading players are leveraging data to better understand customers and patients in order to enhance their go-to-market strategies. They are also using analytics to improve supply chain visibility and decision-making, drive operational and cost efficiencies, and enhance consumer engagement (B2C) by monitoring and providing health management support.

Potential Impact

Through digital technologies, companies can fully integrate their supply chains and improve operational processes, making them more adaptive and responsive. As a result, planning accuracy, manufacturing efficiency and productivity, inventory levels, and service levels improve. As more and more pharmaceutical companies are adopting digital technologies, it is imperative for all companies to do so in order to maintain their competitive edge.

How We Responded

Along with the rest of the Boustead Group, Pharmaniaga is driving digitalisation as part of our reinventing strategy. Having already started on this journey a few years ago, we are now accelerating the adoption of various technologies. Looking to fully automate our distribution centre, we have implemented an Oracle Transportation Management (OTM) system. We are also leveraging drones and Internet of Things (IoT) to enhance our logistics capabilities.

Outlook

In the advent of the Fourth Industrial Revolution (IR4.0), Pharmaniaga is embarking on various advances in Science, Technology and Innovation to enhance our core operations, establish an omnichannel pharmaceutical chain and ultimately continue our service to the nation. These initiatives include the digitalisation of the supply chain, establishment of fully/partially automated distribution centres and manufacturing facilities, as well as electric vehicles as modes of transportation for delivery.

COMPLIANCE & REGULATORY ENVIRONMENT

Healthcare is a highly regulated industry, reflecting public expectation that products comply with stringent levels of quality, safety and efficacy. There are regulations for every step of the value chain, from standards applicable to manufacturing systems and processes to the quality of the end product. Focus on compliance heightened in the many months leading to the launch of COVID-19 vaccinations. Whilst the authorities maintained stringent standards, they were willing to enter into discourse with pharmaceutical players in order to expedite the rollout of vaccines.

Potential Impact

Non-compliance with applicable regulations would result in product recalls, the inability to market products, and possibly even loss of a pharmaceutical company's licence to operate. Different countries have different regulatory requirements, hence to successfully market products in the international arena, it is important to understand the different legal and regulatory frameworks.

How We Responded

As a prominent player in the healthcare industry, Pharmaniaga is committed to maintaining our reputation in the market and protecting the trust that we have built amongst customers and other stakeholders. We will continue to comply with all relevant regulations in all the markets we are in. We will ensure that all our manufacturing plants are accredited to enable us to market our products in the international space.

Outlook

Post-COVID, collaborations established between regulators and industry will serve to create a more conducive environment for the further development of drugs or treatments needed to serve the healthcare needs of people around the world.

STRATEGIC REVIEW

KEY MARKET TRENDS

COVID-19 PANDEMIC

Since COVID-19 was declared a global pandemic in March 2020, life has changed for everyone. Due to drastic restrictions on movement, people have been home-bound for large periods of time. In efforts to contain the virus, governments across the world also severely limited economic activity. Most pertinently, production and distribution were curtailed, significantly affecting supply chains which, in turn, impacted the ability of essential services from being carried out efficiently. Amid these challenges, the focus has been on the pharmaceutical industry, with stakeholders everywhere banking on the capabilities of leading research-based companies to develop effective vaccines to protect people against the virus.

Potential Impact

The pharmaceutical industry itself has been impacted, and continues to be impacted, by the pandemic in a number of ways. Most pertinently, whilst facing urgent and voluminous demand for COVID-19 vaccines, manufacturing activity in general has been hampered by bottlenecks in the production of active pharmaceutical ingredients (APIs), shipping delays and increased cost of freight. At the same time, demand for a number of prescription drugs plummeted as patients were reluctant to visit their doctors for fear of infection. Finally, whilst continuing with operations, it was essential to enhance vigilance to ensure employees stayed safe.

How We Responded

Pharmaniaga's immediate concerns were to keep our employees safe whilst contributing to the Government's National COVID-19 Immunisation programme. In regards to the safety of our employees, we adhered to all the SOPs and encouraged them to get vaccinated once vaccines became available. As part of our effort to assist the Government in combating COVID-19, we collaborated with Sinovac to bring in and distribute Sinovac vaccine while also receiving technology transfer from our partner to fill and finish the vaccine at our Small Volume Injectable (SVI) plant in Puchong, Selangor. Through our efforts, by the end of August 2021, we had delivered 20.4 million doses to the Government and close to 2.5 million doses to the private sector, with Sinovac accounting for about 35% of the vaccinated Malaysian population.

Outlook

There is still a need to vaccinate certain demographics in the country, namely children up to the age of 17 years. Upon approval from NPRA, we began distributing Sinovac for use by adolescents (12-17 years) in October 2021. The vaccine was subsequently approved for children between the age of five to 11 on 6 January 2022.

STRATEGIC REVIEW

MATERIAL MATTERS

Material matters are factors with the potential to substantially impact our performance and ability to create or preserve value in the short, medium and long term. Identifying these material matters forms an integral part of our strategic planning activities.

We seek to identify our material matters as they inform us of the issues that are of concern or interest to our stakeholders as well as to the attainment of Pharmaniaga's own corporate goals. Identification of our material matters enables us to understand our key sustainability risks and opportunities, and to align our strategies and action plans to manage them.

MATERIALITY ASSESSMENT PROCESS

In 2020, Pharmaniaga had conducted an in-depth materiality assessment involving key internal and external stakeholder groups, which led to the identification of 20 material matters. In 2021, a fresh assessment was conducted to ensure the continued relevance of the material matters and to determine if any new material matters should be added to the Group's list given emerging risks and trends.

The refreshed assessment was guided by GRI Standards, Bursa Malaysia's Sustainability Reporting Guidelines and Toolkits and comprised the following three steps:

IDENTIFICATION

- This included benchmarking against peers within the pharmaceutical industry, observing industry-relevant sustainability concerns, and inputs obtained from internal and external stakeholders during direct or indirect engagement with them.
- We also identified key sustainability matters emphasised by sustainability reporting guidelines, standards and indices such as Bursa Malaysia's Sustainability Reporting Guide (2nd Edition), GRI Standards, FTSE4Good Bursa Malaysia assessment criteria and Dow Jones Sustainability Indices (DJSI).

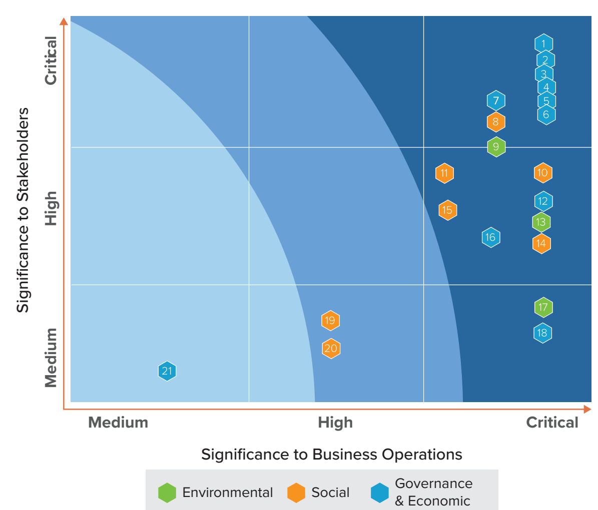
PRIORITISATION

Identified sustainability matters were re-prioritised through an internal survey conducted across business subsidiaries, in addition to discussion with Pharmaniaga's Sustainability Working Group (SWG) to assess the impact of the matters to the business.

VALIDATION

The resulting materiality matrix was reviewed by the SWG, then further deliberated and validated by the Sustainability Management Committee (SMC) and presented to the Board for approval.

Following from the review, we maintained all 20 material matters that had been identified in 2020 and added a new one, namely "Data Privacy and Security". This reflects stakeholders' concern with regards to data protection and privacy.



21 Prioritised Material Matters of Pharmaniaga

1. Accessibility of Healthcare Products
2. Product Quality
3. Product Responsibility
4. Service Quality
5. Customer Satisfaction
6. Economic and Financial Sustainability
7. Data Privacy and Security
8. Labour Practices
9. Material and Waste Management
10. Occupational Health and Safety
11. Employee Engagement
12. Good Corporate Governance and Integrity
13. Water and Effluent Discharge Management
14. Community Contribution and Development
15. Equal Opportunity
16. Affordable Healthcare Products
17. Hazardous Gas Emissions and Energy Management
18. Accessibility of Halal Products
19. Training and Development
20. Job Opportunities
21. Providing Business Opportunities

STRATEGIC REVIEW

MATERIAL MATTERS

Material Matter	What It Is	Why It Is Important	Our Response	Read More About the Relevant Focus Areas
1 Accessibility of Healthcare Products	Making sure that all segments of society have access to the treatments and therapies that they require	Good health is a basic human right; however current access to healthcare is not equitable	• Continuously expand our product portfolio to make available more pharmaceutical products to meet the healthcare needs of Malaysians and Indonesians • Ensure sustainability of supply by inventory management, close collaboration with suppliers of raw ingredients, strengthening our logistics and distribution systems	Sustainable Products & Services, pages 100 to 101
2 Product Quality	Ensuring that all our products are of the highest quality and comply with all relevant regulatory requirements	It is important to adhere to stringent rules and regulations set by the regulatory bodies in order to provide products of the highest quality, and maintain the Company's reputation	• Annual GXP Audit (GMP, GDP, GDPMD, PTAL, GCP) conducted once a year to ensure the quality and safety of our products • Gemba Walk (Internal monitoring and inspection) to ensure best practices and compliance with GMP requirements throughout the operations • Stringent vendor evaluation process to ensure sustainable supply chain	Customer Satisfaction, page 100
3 Product Responsibility	Proper handling of products along the entire value chain to protect their integrity, and accurate communication on products	To protect stakeholders who handle the products; to ensure healthcare practitioners, patients or consumers have accurate information on the products; and to protect consumers from any aberration that may cause adverse reactions	• Continuous assessment of health and safety impacts of products to ensure health and safety of consumers • Adherence to Good Manufacturing Practices (GMP), Good Laboratory Practices (GLP) and Regulatory Pharmacopoeias, as well as the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) • A dedicated pharmacovigilance team to oversee the product safety	Customer Satisfaction, page 100
4 Service Quality	Ensuring that all our services are of the highest quality and comply with all relevant regulatory requirements	It is important to adhere to stringent rules and regulations imposed by regulatory bodies in order to provide service of the highest quality, and maintain the Company's reputation	• Annual GXP Audit (GMP, GDP, GDPMD, PTAL, GCP) conducted once a year to ensure the quality and safety of our products • *Gemba Walk* (Internal monitoring and inspection) to ensure best practices and compliance with GMP requirements throughout the operations • Stringent vendor evaluation process to ensure sustainable supply chain	Customer Satisfaction, page 100
5 Customer Satisfaction	Developing solutions that meet customers' needs	Customer satisfaction is important for us to maintain our market reputation, and to build our business	• Regular engagement with customers to build strong relationships and to better understands their needs • Continuous training of Contact Centre Agents (CCAs) • Biannual customer satisfaction surveys for the public sector; and annual surveys for the private sector • Ensure fulfilment towards ISO 9001:2015 Quality Management Systems and ISO 18295- 1:2017 Customer Contact Centres	Customer Satisfaction, page 100
6 Economic & Financial Sustainability	Having in place a robust business model and effective strategies to maintain financial viability	The ability to grow our business profitably whilst creating value for our stakeholders is key to the sustainability of our operations	• Roll-out Business Continuity Management Framework (BCM) to our operations • Development of Pharmaniaga Strategic Pillars to maintain business continuity • Establishment of strategic collaborations & partnerships	Business Continuity, page 099
7 Data Privacy & Security	Protection of data, information and intellectual property belonging to the organisation and our stakeholders	As we digitalise our operations, it is critical to protect our data to ensure the smooth functioning of various divisions. We also need to protect stakeholders' data from being abused by third parties	• Implementation of ISO/IEC 27001:2013 Information Security Management Systems • Establishment a new Disaster Recovery Centre (DRC) to support data recovery and restoration, technology infrastructure and operations • Use of software and technology to prevent data threat and cyberattacks	Business Ethics & Corporate Governance, page 103
8 Labour Practices	Compliance with all relevant labour laws and policies, including those outlined by the UN, so as not to infringe on human rights	All employees deserve to be treated with dignity, and to have their rights respected. Protecting our employees also enhances our reputation as an employer of choice	• Ensure compliance with relevant rules and regulations regarding labour practices • Zero tolerance for slavery, forced or child labour within our operations as well as our supply chain • Screening of workers' profiles through application forms and original documents outlining candidates' personal particulars during recruitment process • Use of a direct and centralised recruitment process to ensure ethical procedures	Fair Labour Practices, page 109
9 Material & Waste Management	Policies and initiatives to minimise the use of materials in our operations, as well as to ensure that any waste generated is managed responsibly	The more materials we use, the more we deplete the planet's natural resources, and the more waste there will be for disposal. By recycling, re-using or re-purposing we minimise waste-to-landfill; and by disposing of hazardous waste responsibly, we avoid public health issues	• Compliance with environmental regulations, guided by ISO 14001: 2015 Environmental Management Systems • Implemented resource planning software to monitor material consumption and improve efficiencies • Designation of site Environment Management Representatives for continuous environmental monitoring and improvement	Resource Efficiency, pages 106 to 107
10 Occupational Health and Safety	Ensuring a safe work environment for our employees, and looking into their general well-being	The health & safety of our employees is key to our productivity. In the current pandemic, it is more important than ever to ensure our employees stay safe	• Adherence to Safety and Health Policy • Certification to ISO 45001:2018 Occupational Health and Safety Management Systems • Continuous safety trainings and safety campaigns to enhance awareness and understanding	Health & Safety, page 110

STRATEGIC REVIEW

MATERIAL MATTERS

Material Matter	What It Is	Why It Is Important	Our Response	Read More About the Relevant Focus Areas
11 Employee Engagement	Connecting with employees via different platforms and creating a sense of belonging to the company	Employees who are engaged share the values and vision of the company, have a heightened sense of loyalty, and are generally more productive	• Regular interaction with employees through various activities and platforms to maintain a positive relationship • Implemented COVID-19-related benefits, such as immunisation for employees and family members, free bi-weekly COVID-19 swab tests, quarantine leave, work from home and fruit baskets for hospitalised employees, amongst others	Employee Engagement & Retention, page 109
12 Good corporate Governance and Integrity	Conducting our business ethically & upholding the interests of all stakeholders	Upholding integrity and operating in a manner that is ethical is important to maintain the trust and continued support of our stakeholders	• Corporate governance oversight provided by the Board of Directors • Adherence to best practices in corporate governance such as Malaysian Code on Corporate Governance • Pursuit of ISO 37001:2016 Anti-Bribery Management Systems (ABMS)	Business Ethics & Corporate Governance, page 103
13 Water and Effluent Discharge Management	Adhering to processes and policies to minimise water consumption and ensure effluents from our plants meet environmental standards	Water is a limited resource and becoming increasingly scarce. Effluents, meanwhile, are discharged into water bodies surrounding our plants, posing a public health hazard	• Compliance with environmental regulations, guided by ISO 14001: 2015 Environmental Management Systems • Designation of site Environment Management Representatives • Water recycling initiatives and rainwater harvesting	Resource Efficiency, pages 106 to 107
14 Community Contribution and Development	Programmes and corporate contributions that positively impact local communities, focusing on health, education and welfare	There are still gaps in access to healthcare and education throughout the country. Narrowing these gaps and creating greater equity would enhance many lives and contribute to a more sustainable nation	• Developed long-term community programmes focusing on Welfare, Education and Health • Specific KPIs set for each programme, which will be monitored yearly	Corporate Responsibility, page 118
15 Equal Opportunity	Policies, strategies or practices that promote diversity in terms of gender, race, religion, age, nationality, abilities, education, skill sets, experience and knowledge	By providing employment opportunities to a diverse group of people, we are able to create greater social equity. At the same time, Pharmaniaga will benefit from enhanced perspectives and intellectual capacity, which would support better strategising and decision-making	• Introduction of Gender Diversity Policy stating commitment to having appropriate mix of skills, experience and backgrounds, including gender, on the Board • Positioning of Pharmaniaga as an equal opportunity employer that recruits and promotes based on merit as opposed to background, age or gender	Diversity & Inclusion, pages 114 to 115
16 Affordable Healthcare Products	Ensuring that our products are available at price points that Malaysians can afford	Healthcare is a basic human right, and everyone should be able to afford treatments to maintain optimum well-being	• We specialise in generics, which are just as efficacious as originator products but much more affordable by the general population • We keep our costs low through efficient operations and transfer these savings to maintain affordable prices	Sustainable Products & Services, pages 100 to 101
17 Hazardous Gas Emissions and Energy Management	Ensuring that all gas emissions from our manufacturing plants meet environmental standards; and reducing our energy consumption	Hazardous emissions can negatively impact communities surrounding our operations; whilst energy consumption is related to the release of Greenhouse Gases (GHG) which contribute to climate change	• Minimise our GHG emissions and energy consumption through various energy saving initiatives to support global efforts to contain the rise in temperature to within 1.5°C from pre-industrial levels • Ensuring emissions generated meet regulatory limits set by the Department of Environment	GHG & Climate Change, page 107
18 Accessibility of Halal Products	Manufacture of Halal products and making these easily available for consumers	To respect the rights of Muslim communities around the world who should feel comfortable when taking medication that their treatments are Shariah-compliant	• We seek to ensure inclusivity in our products, hence cater to everyone irrespective of religion or other cultural beliefs • Adherence to MS 2424: 2019 Halal Pharmaceutical Standards	Sustainable Products & Services, page 100 to 101
19 Training and Development	Provision of professional development programmes for our employees	Training & development helps to ensure that our people continuously enhance their capabilities and competencies to support the Group in achieving our corporate objectives	• Establishment of structured talent development framework to enhance organisational capabilities • Soft skills, technical, functional and IT training provided to employees using internal and external subject matter experts	Employee Training & Development, pages 111 to 113
20 Job Opportunities	Provision of employment to individuals with the right qualifications and skills that fit our needs	To provide income-generating opportunities, especially to those who are deserving	• Regularly recruit fresh graduates or more experienced staff to meet our organisational needs • Enhance the employability of fresh graduates through PROTÉGÉ programme • Provide internships to university students for exposure to the pharmaceuticals industry	Employee Engagement & Retention, page 109
21 Providing Business Opportunities	Provision of business opportunities to local entrepreneurs, as well as the implementation of supplier development programmes	By supporting local businesses and SMEs, we help to advance the nation's economic development as well as creation of more employment opportunities for greater wealth generation which would help to uplift lower-income communities	• Established Vendor Development Programme (VDP) through which we currently support 24 SMEs • Promote local suppliers through the award of contracts • Support 413 community pharmacists under the RoyalePharma Alliances Programme	Supporting Local Businesses, page 117

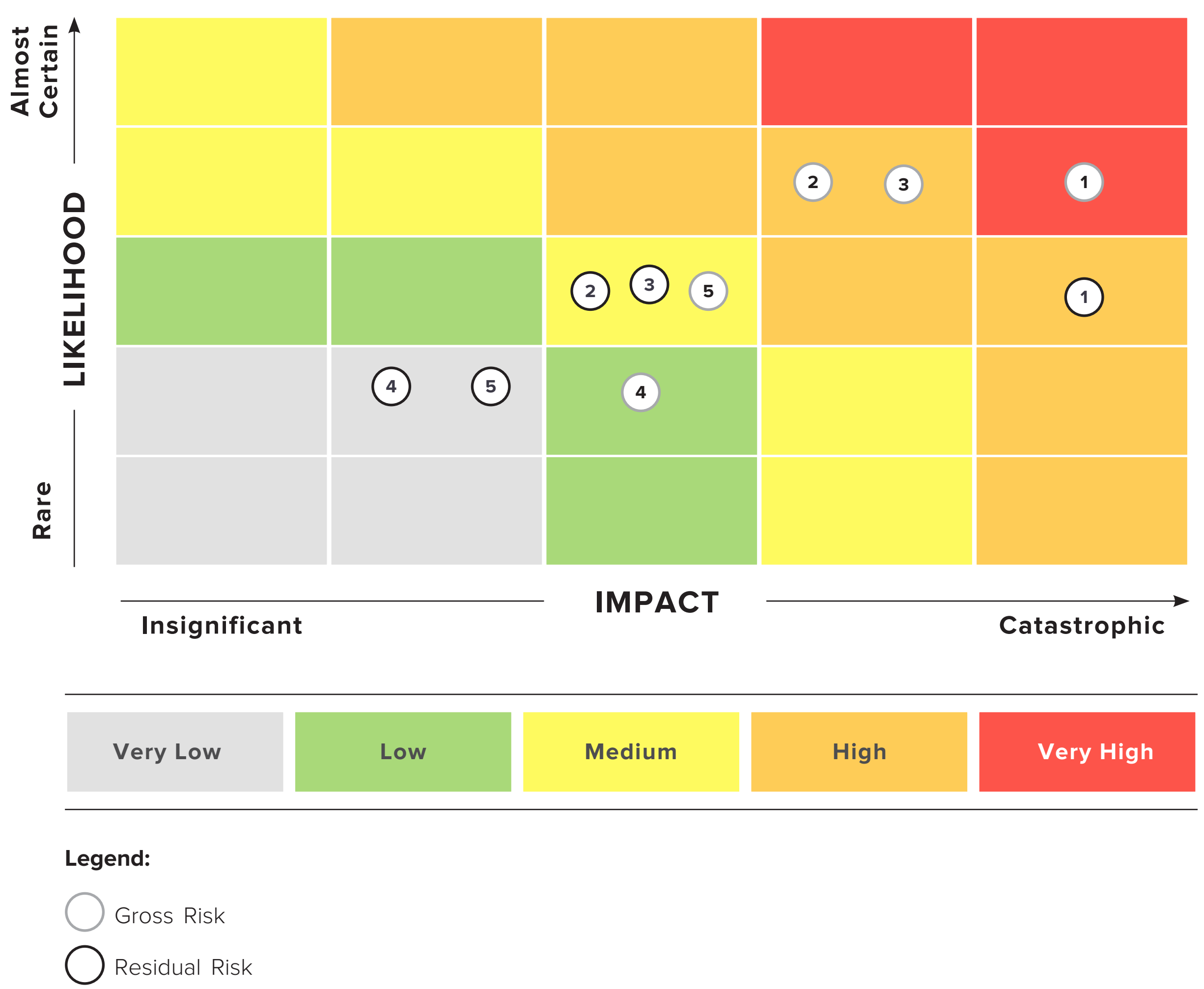
RISK OVERVIEW

KEY RISKS AND THEIR MITIGATION

INTRODUCTION

We recognise that our operations necessarily carry various elements of risk. However, by identifying and monitoring our risks, we are dedicated to managing them and mitigating their potential impact on our business. We have a Risk Department to ensure our risks are maintained within acceptable levels as determined by our risk appetite. Utmost priority is given to prevent risks from detracting from our business goals, and to ensure our ability to continue to create sustainable value for our stakeholders.

2021 KEY RISKS



1 BUSINESS RISK

POTENTIAL IMPACT

- Failure to successfully execute business strategy is likely to impact the Group's financial performance, increase the pressure on our margins, and disrupt financial stability as well as sustainability

DESCRIPTION

A number of factors could impact the development and execution of our business strategies, including increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policy and availability of supply.

MITIGATION

- Continuously reshape our product portfolio to achieve balanced and diversified offering, with a focus on niche products (biopharmaceuticals) based on demand analysis
- Creation of long-term strategic value through the achievement of Key Performance Indicators to meet customers' business requirements
- Establishment of mutually beneficial collaborations with strategic partners for new business segments and growth
- Leverage business analytics for commercial strategy enhancement

CAPITAL

2 FINANCIAL RISK

POTENTIAL IMPACT

- Inappropriate management of financial risk may materially affect our financial position and business operations
- Difficulty to obtain funding with adverse balance sheet position

DESCRIPTION

The risk relates to our financial obligations and ineffective management of collection.

MITIGATION

- Focus on innovative collection programme to enhance performance
- Secure long-term financing to improve assets mismatch
- Continuous monitoring of cash position to ensure appropriate capital structure and balance sheet

CAPITAL

RISK OVERVIEW

KEY RISKS AND THEIR MITIGATION

3 ENVIRONMENTAL SUSTAINABILITY RISK

POTENTIAL IMPACT

- Water shortage may disrupt our operations and our supply chain
- Environmental damage (air or water pollution, soil contamination and hazardous gas emissions, amongst others)
- Reprimand, imposition of penalty, or license suspension by regulators/authorities
- Financial loss from higher operating expenditure due to inability to manage efficient consumption of utilities
- Loss of reputation

DESCRIPTION

Regulators, investors and other stakeholders increasingly expect the Company to reduce our environmental impacts across the value chain and to mitigate the impacts of climate change on our operations and supply chains.

MITIGATION

- Enforce Safety, Health and Environmental Policy and adhere to local environmental rules and regulations while maintaining ISO 14001:2015 Environmental Management Systems certification throughout our subsidiaries
- Installation of air pollution control systems such as dust collectors, scrubbers and chimneys to ensure emissions from our manufacturing plants are within permissible limits
- Minimise Greenhouse Gas (GHG) emissions through energy saving initiatives such as:
  - Implementation of energy management and building management systems
  - LED retrofits in offices and warehouses
  - Replacing existing equipment with energy-efficient equipment
  - Standardising temperature of air-conditioning units and chiller systems
  - Switching off equipment and systems during breaks and non-peak hours
  - Use of solar panels
- Record and monitor our buildings' energy consumption, GHG emissions, water consumption, and waste & effluent management
- Daily inspection of main systems and maintain a power log to monitor energy efficiency of our systems and equipment
- Establish Sustainability Roadmap (2016 - 2030) to provide strategic direction, decision making and management of sustainability in our daily operations and support our vision of creating a sustainable future
- Continuous education of employees and other stakeholders on the importance of environmental stewardship

CAPITAL

4 CYBERSECURITY RISK

POTENTIAL IMPACT

- Disruption of business operations
- Breach of data security, intellectual property and sensitive information
- Loss of sensitive information and critical business intelligence
- Increase in operational and maintenance costs
- Reprimand, penalty or sanctions by regulators/authorities
- Loss of reputation

DESCRIPTION

The more we adopt digital technologies to remain relevant & competitive, the greater our exposure to cyber crime.

CAPITAL

MITIGATION

- Compliance with the ISO/IEC 27001:2013 Information Security Management Systems (ISMS) standard
- Secure critical systems and processes via continuous monitoring and deployment of various controls and strategies to protect our Company from cyberthreats
- Periodically conduct Vulnerability Assessment and Network Penetration Test
- Conduct training and awareness for all employees so they understand and recognise cyberthreats and develop a cybersecurity mindset

5 LEGAL AND REGULATORY RISK

POTENTIAL IMPACT

- Any regulatory breach may adversely impact our reputation or our business, potentially leading to product liability claims, penalties or other non-monetary remedies
- Poor ethical behaviour or failure to subscribe to our Code of Ethics & Conduct could result in the loss of trust by stakeholders
- Reputational damage

DESCRIPTION

Pharmaniaga is subject to extensive, complex, costly and evolving rules and regulations governing the business and operation of manufacturing, labelling, marketing, warehousing, transporting, sale and approval of pharmaceutical products.

CAPITAL

MITIGATION

- Operational and technical teams across multiple disciplines work closely to ensure compliance with industry and regulatory standards through continuous monitoring, rigid approach on quality control and assurance, and prudent approach to business
- Monitor and renew relevant licences/permits in a timely manner
- Establish and regularly update relevant policies and procedure.
- Periodical site inspections by accredited regulatory bodies
- Continuous monitoring and review by Regulatory Compliance, Quality and Safety as well as Internal Audit to ensure all regulatory requirements are met
- Continuous awareness, training and '*Do It Right Always*' campaign to heighten employees' awareness and enhance their competency to ensure regulatory compliance

OUR STRATEGIC PILLARS

7 Focus Strategies

ENSURING SUSTAINABLE GROWTH

06 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

01 Establishing the Premier Integrated Logistics & Distribution Dominance

02 Research & Development in Healthcare and Nutraceuticals for Sustainable Growth

03 Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities

04 Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing

05 Strengthen Footprints in International Ventures via Focus Countries

07 Reinforce Human Capital through Capability Building for Superior Performance

Key Themes

National Security

- Development of new infrastructures to reduce dependence on imports
- Focus on local skills and capability building

Security of Supply

- Custodian of drugs and consumables national stockpile
- Relief healthcare providers to focus on patient care service with consistent drug/ consumable supplies based on Just in Time (JIT) Delivery
- Warehouses at strategic locations in Peninsular Malaysia, Sabah and Sarawak

Halal

- Demand for Halal market continues to grow internationally
- Offers niche value proposition
- Malaysia's Halal certification recognised worldwide

Environmental, Social & Governance Values

- Acting with Integrity
- Delivering sustainable value and future-proofing the business
- Achieving operational eco-efficiency
- Creating a sustainable and high performance workforce
- Building a better society

01 Establishing the Premier Integrated Logistics & Distribution Dominance

1 Logistics and Distribution Concession

- Maintain and safeguard the concession business by capitalising on the Company's 27-year track record of excellence in logistics and distribution

2 Pharmaceutical L&D Company of Choice

- Extensive distribution network throughout Malaysia and Indonesia
- Leveraging our experience and expertise

3 Expand into Fast-Moving Consumer Goods

- Diversify into fast-moving consumer goods (FMCG) as a new revenue stream that complements the organisation's current capabilities
- Sector penetration through potential acquisition

02 Research & Development in Healthcare and Nutraceuticals for Sustainable Growth

1 10-Year Rolling Ethical Products Development Plan

- Prioritise the commercialisation of high-value complex molecules to meet demand driven by ethical and OTC products coming off-patent over the next 10 years

2 Growth in OTC and Supplement Market

- Expand current Vitamin C range with new formats, and launch products in vitality and gastro health categories

3 Expansion into Nutraceuticals

- Increase the number of nutraceutical products in the market as natural alternatives through strong internal scientific research capabilities

03 Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities

1 COVID-19 Vaccine

- Capitalise on continued growth in demand for COVID-19 vaccines by increasing capability and capacity

2 Halal Vaccine Facility

- Leverage expertise gained from retrofitting small injectable volume (SVI) plant to accelerate the development of Halal Vaccine Facility

3 Halal Insulin Facility

- Further develop Pharmaniaga's existing strength in diabetic drugs to manufacture Halal insulin

4 Expansion into Traditional and Complementary Medicine

- Develop into this increasingly high-demand market in collaboration with established players

OUR STRATEGIC PILLARS

04 Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing

1 Healthy Lifestyle Products

- Develop high-sales products such as Citrex Vitamin C, Actimol, Baraka Habbatus Sauda and Perozin into household brands through more aggressive advertising and marketing

2 Consumables Market

- Work with original equipment manufacturers (OEMs) to further expand portfolio of consumable products such as hand sanitisers, gloves and masks for the domestic and export markets

3 Biomedical and Medical Devices

- Expand network of reputable principals to offer an enhanced range of products to meet the needs of hospitals as well as the retail market
- Maintain hospital equipping business as one of the growth segments

05 Strengthen Footprints in International Ventures via Focus Countries

1 Growing Indonesia Portfolio

- Tap into potential of Indonesia's 270 million population with support of the existing logistics infrastructure provided by MPI and Errita's manufacturing capabilities
- Improve business processes of Indonesian operations for enhanced efficiencies

2 Focus on Neighbouring Countries in South East Asia

- Penetrate the significantly large markets of countries in ASEAN with products that are in demand

3 Venture into European and MENA Markets

- Leverage Malaysia's high standard of PIC/S and GMP, and Halal status to penetrate into more international markets
- Attain relevant European Union (EU) and Gulf Cooperation Countries (GCC) certifications to meet local regulatory criteria

06 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

1 Digitalisation Critical for Business Continuity

- Extend proven digitalised supply chain currently serving Government facilities to private healthcare providers and pharmacies to enhance the end-to-end process from ordering to delivery

2 Automated Warehouses

- Invest significant capital expenditure on automation of warehouses nationwide over a period of five years

3 Green Energy Vehicles

- Support the Government's low-carbon and electric mobility agendas by replacing current fleet of transport vehicles with green-energy trucks and motorbikes within the next three years

07 Reinforce Human Capital through Capability Building for Superior Performance

1 Development of International Expertise

- Engage with internationally renowned experts to develop Scientific Advisory Group to advise on best practices and build access to international markets

2 Build Culture of Excellence

- Focus on continuous training and development of employees for skills relevant to new market trends whilst reinforcing culture of integrity

3 Establish Succession Planning

- Ensure continuity of business plans and strategies by developing and maintaining strong and steady pipeline of talent to feed into critical roles
- Review existing succession plan periodically to remain relevant to current needs

4 Local-First Policy

- Hire and develop local talent of which 99.6% are local employees

BUSINESS REVIEW

MANUFACTURING

World-class Halal compliant manufacturing facilities

Our Manufacturing Division comprises six manufacturing plants across Malaysia and one in Indonesia which produce a diversified range of products from pharmaceuticals, biopharmaceuticals, over-the-counter (OTC) and nutraceuticals. These include products catering to different therapeutic categories like cardiovascular, respiratory, gastrointestinal, anti-diabetic, analgesics, anti-infectives to vaccines, insulins, health supplements for the local and international markets.

We manufacture a wide range of products including solid orals, granules, liquid orals, semisolids and small volume injectables. Our division is supported by a highly qualified and talented research and development (R&D) team at Pharmaniaga Research Centre (PRC) Sdn Bhd.

WHAT WE DO

We adhere to Good Manufacturing Practices (GMP) and MS 2424: 2019 Halal Pharmaceutical Standards as we seek to offer quality products that are inclusive, affordable and accessible to everyone. To date, 184 of our registered products (78%) are Halal certified. We have strategically outlined a 10-year Development Programme under which we plan to launch more than 75 products by 2025. Our objective is to provide a comprehensive portfolio of affordable healthcare products to meet the needs of our customers for a healthier nation.

KEY FOCUS AREAS

- **Biopharmaceuticals:** Long-term vision to venture into recombinant human insulin for diabetes and vaccines for a range of diseases including meningococcal and pneumococcal infections, influenza, human papillomavirus, typhoid and COVID-19
- **Pharmaceuticals:** Emphasis on niche products in the categories of conventional, sustained release and complex generics
- **Nutraceuticals:** Launch of Arnia *Madu Kelulut* and products extension of SweetRoyale Stevia product line
- **OTC range:** Expand current Vitamin C range in new forms and launch products in vitality and gastro health categories
- Expansion of our footprint globally including highly regulated markets such as Europe and Gulf Cooperation Council (GCC) countries

BUSINESS ENVIRONMENT

The pharmaceutical industry in 2021 was dominated by the urgent need to vaccinate Malaysians against COVID-19. At the same time, as Malaysians started to acclimatise to the new norm (of living with the virus), patients started returning to see their doctors, especially in Government hospitals and clinics. This contributed to an increase in demand for prescription drugs whilst sales of OTC products continued to improve.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Support the Government's need for COVID-19 vaccines	• Collaborated with Sinovac Life Sciences Co., Ltd. (Sinovac) for technology transfer to fill and finish its COVID-19 vaccine	• Obtained registration approval from the Drug Control Authority (DCA) for fill and finish Sinovac COVID-19 vaccine manufactured by Pharmaniaga LifeScience Sdn Bhd
	• Retrofitted our Small Volume Injectable (SVI) plant in Puchong to fill and finish manufacture the Sinovac COVID-19 vaccine	• Supplied the Government with 20.4 million doses of COVID-19 vaccine
	• Application for the use of Sinovac COVID-19 amongst children and adolescent (12 to 17 years old)	• Application was approved by the Drug Control Authority (DCA) for 12 to 17 year olds on 1 October 2021; and for five to 11 year olds on 3 March 2022
	• Explore international market for our COVID-19 vaccine	• Contract to supply Myanmar Hemas Mandalar Pharmaceuticals Ltd with our filled and finished COVID-19 vaccine
Enhance product portfolio	• Approval of product registration from regulatory authorities in Malaysia and other countries	• 17 new products were approved by regulatory authorities in Malaysia: – 15 products approved by the Drug Control Authority – 2 products approved by the Medical Device Authority • Additionally, we received registration approval for 13 products in other countries
	• Technology transfer	• Transfer of technology completed for the Sinovac COVID-19 vaccine
	• Bioequivalence (BE) studies	• Successfully completed BE studies for five products
	• New product launches	• Total of seven products were launched, including: – Biopharmaceuticals: Sinovac COVID-19 vaccine – Pharmaceuticals: Celecoxib tablets (Rabirox) 200mg & 400mg (the first generic for the 400mg in Malaysia) – Pharmaniaga's first nutraceutical, Arnia *Madu Kelulut*, in collaboration with UMT
Development of Halal vaccines and insulin	• Setting up of pre-filled syringe line for Halal vaccines at Pharmaniaga LifeScience Sdn Bhd	• The plant is expected to be completed in 2023
	• Setting up facilities for the manufacture of Halal insulin	• The plant is expected to be completed by 2024
Continuous Improvement and Operational Excellence	• Deployment of Lean Sigma Continuous Improvement System	• Reduction in overall production wastage by 39%
	• Conducting baseline data on a key manufacturing metric and simplification and streamlining of the process	• Cost savings of RM2.82 million in capacity and yield improvements • Cost savings of RM2.96 million in lead time, cycle time, inventory reduction and productivity improvement
Build Halal portfolio	• Application of Halal certification for products	• 23 products were Halal certified in 2021

BUSINESS REVIEW

MANUFACTURING

KEY ACHIEVEMENTS

- Commencement of a thorough review of Business Continuity Management System in preparation for ISO 22301:2019
- Achieved ISO 37001 Anti-Bribery Management Systems (ABMS) for PRC
- Completed the delivery of 20.4 million doses of COVID-19 vaccine to the Government for the National Immunisation Programme and close to 2.5 million doses to the private sector

AWARDS

- Pharmaniaga LifeScience Sdn Bhd was the First Runner-up in the Energy Management For Building and Industry Category (Small Medium Industry) at the Asean Energy Awards 2021
- Pharmaniaga LifeScience Sdn Bhd was the Runner-up in the Energy Management Category (Small Medium Industries) at the National Energy Awards 2021
- Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar) was acknowledged for Energy Audit Conditional Grant for Industrial Sector under the 11th Malaysia Plan Energy Efficiency Projects: Acknowledgement of Contractual Requirement Fulfilment

CHALLENGES & RISKS

Challenges	Mitigation Actions	Results
• Change in market dynamics and customer purchasing patterns due to the pandemic	• Diversification of business portfolio with added focus on biopharmaceutical segment • Increase OTC line capacity in anticipation of growth in market demand	• Partially converted SVI plant into biopharmaceutical plant in view of business diversification • Able to meet sudden increase in demand for Citrex Vitamin C in the private market
• Insufficient raw materials and packaging materials for production due to delayed delivery during lockdown	• Active communication and priority planning with raw material and packaging material vendors • Explore various modes of transportation to ensure timely delivery of materials	• Achieved >96% on-time order delivery to MOH throughout 2021

Challenges	Mitigation Actions	Results
• Engagement with customers and external stakeholders during the Movement Control Order (MCO)	• Sales and supply meetings with internal and external stakeholders were conducted via teleconferencing • Communication via email and telephone calls regarding any further correspondence	• Achieved customer satisfaction level of 98% for MOH and 96% for MOHE
• Maintain productivity in plants despite restriction on workforce strength	• Adherence to MITI requirement to operate manufacturing and distribution activities during MCO • All employees required on-site were given approval letters from MITI • Employees were provided RTK tests based on a periodical timeline to ensure they were safe to work • Employees on-site were provided food to prevent exposure to the high-risk dining environment outside the manufacturing plant	• Zero plant shutdown by authorities due to non-compliance with MITI's requirements during MCO • Zero sanction/fines by authorities due to non-compliance with MITI's SOPs to operate the manufacturing plants
• Effective communication and oversight of manufacturing operations during MCO	• Implementation of Zoom or Microsoft Teams meetings for management and operations staff • Conducted training online	• All business communication and meetings continued when required and as per schedule
• Routine quality compliance re-certification activities were disrupted as on-site audits were not feasible during MCO	• Worked together with regulatory agencies and certification bodies in performing the recertification audits via desktop assessment or remote inspection	• All pharmaceutical manufacturing sites (PMB, PLS, IPMSB SP & SI) successfully maintained the ISO 9001, ISO 14001, ISO 18001 and PIC/S GMP certification by NPRA in 2021 • PMB & PLS successfully maintained ISO/IEC 17025 certification in 2021 • IPMSB SP and SI succesfully obtained ISO/IEC 17025 in 2021

OUTLOOK & PROSPECTS

In 2022 and beyond, our Manufacturing Division will continue with its product expansion strategy with a focus on the biopharmaceutical segment, and particularly in the development of Halal vaccines and insulin.

Within the pharmaceutical segments, the emphasis will be on developing pioneering high value niche and complex generic products to maximise profitability. In the OTC and nutraceutical range, it will focus on effervescent tablets, energy boosters, sachets (for convenience and portability) as well as creams for sensitive skin and wounds. Amongst others, there are plans to market Arnia *Madu Kelulut* in on-the-go sachets as well as to develop milk supplement tablets. The division will also explore the potential of soft gel technology for nutraceutical products under our brand name.

Whilst strengthening our domestic presence, the team will look to expand the business regionally and further afield. Regionally, we believe there is much scope to market products in the areas of pain management, anti-infectives and cardiovascular health. Meanwhile, as we seek to take new and existing products globally, we will make it a priority to attain international GMP accreditation and certification in the coming months.

BUSINESS REVIEW

LOGISTICS & DISTRIBUTION

Extensive logistics and distribution network across Malaysia

Our Logistics & Distribution Division manages the sales and marketing as well as distribution of pharmaceutical and over-the-counter (OTC) products, medical equipment, consumable items and devices to Government and private sector hospitals, clinics and healthcare centres. It is also a key player in the delivery of vaccines to Government facilities under the National COVID-19 Immunisation Programme.

KEY FOCUS AREAS

- To maintain position as the Government's preferred distribution partner
- Distribution of concession and non-concession products to the Government and private sectors
- Enhance operational efficiencies
- Leverage Industrial Revolution 4.0 and digitalisation for better service delivery

BUSINESS ENVIRONMENT

The year was marked by the aggressive roll-out of the Government's National COVID-19 Immunisation Programme, which required us to ensure we had the capability and capacity to handle the delivery of almost 30 million vaccine doses to various Government facilities. At the same time, it was important to maintain the supply of essential pharmaceutical products to our customers despite supply chain disruptions.

WHAT WE DO

We deliver more than 3,000 different medical-related items to the public and private sectors. Under the contract to deliver pharmaceutical and medical products to Government hospitals, clinics and healthcare centres, we distribute more than 700 products on the Approved Products and Purchase List (APPL) from more than 90 suppliers. In 2021, we were appointed as the Government's COVID-19 vaccine distributor covering Sinovac and the AstraZeneca vaccine received from the COVAX Facility and Japan. To deliver a growing volume of products, we have been enhancing our logistics capabilities with automation and digitalisation, whilst expanding our warehousing capacity.

BUSINESS PERFORMANCE REVIEW

Strategic Objectives	Key Initiatives	Achievements
Enhance market access to support the delivery of vaccines as well as increased demand for other pharmaceutical products	• Capacity expansion by developing own/rented warehouses	• Expanded our northern warehouse and cold chain facilities
Continuous improvement and operational excellence to increase efficiencies	• Enhance cross-docking operations	• Maintained service performance at >99% compliance
Accelerate digital transformation	• Enhance our Transport Management System	• Installed automated Transport Management System for better fleet visibility and routing analysis, especially on return trips
	• Improve inventory management	• Implemented a multichannel e-commerce management tool which enhances our back-end operations and enables better inventory management, pricing and order management for multiple marketplaces
	• Implementation of Internet of Things (IOT) devices	• GPS and temperature monitoring system installed in all fleets for better monitoring and tracking • Implementation of IOT functions using Oracle Transport Management System (OTM)
	• Leverage Robotic Processing Automation (RPA)	• Deployed three additional Autobots to enhance order processing efficiency

BUSINESS REVIEW

LOGISTICS & DISTRIBUTION

KEY ACHIEVEMENTS

- Maintained service performance at >99% compliance
- Delivered >78 million product units, with an average quantity of 6.6 million a month and close to 300,000 units a day.
- Successfully delivered >19 million doses of COVID-19 vaccines to more than 500 Pusat Simpanan Vaksin (PSV), Pusat Pemberian Vaksin (PPV) and PPV Mega
- Won tender to distribute 6.4 million doses of AstraZeneca vaccine and 1.38 million doses under COVAX Facility
- Handled vaccine distribution of donated vaccines from Japan, United Kingdom and China

CHALLENGES & RISKS

Challenges	Mitigation Action	Results
Substantial increase in demand for products used in the management and treatment of COVID-19	• Be adaptable and react swiftly to new requirements • Close monitoring of demand patterns and stock planning	• Ability to cater to surge in demand during COVID-19 outbreaks in May-June 2021 and August - October 2021
Limited supply of products due to raw material and manpower shortages, and bottlenecks at suppliers' end due to MCO	• Work closely with MOH on resolving production issues	• Secured stock availability by successfully sourcing alternative approved suppliers
Commitment to deliver 20.4 million doses of Sinovac COVID-19 vaccine to the Government within a short period of time	• Enhanced cold room facilities and capacity throughout the supply chain • Complemented Sinovac COVID-19 vaccine and other vaccines distribution	• Completed Government COVID-19 vaccine supply contract 4.5 months ahead of time as a result of strategic alliance on vaccine development with Sinovac prior to the pandemic

SALES & MARKETING

Our Sales & Marketing focuses on sales of Pharmaniaga's generics and OTC products, third-party pharmaceuticals and medical consumables as well as equipment and devices produced either locally or internationally for Pharmaniaga.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Expand and grow our portfolio of pharmaceutical & OTC products and medical equipment/ devices	• Expanded our Vitamin C portfolio with new dosage form and conducted R&D for products in vitality and gastro-health categories	• Identified three new Vitamin C products for launch in 2022
	• Have market-leading brands in cardiovascular and respiratory diseases, diabetes, anti-infectives and pain management	• Launched Rabirox which captured over 15% market share within six months of launch
	• Expand medical equipment distributorship	• Increased market share of top products by 20% in two years
	• Increase portfolio of medical equipment within the targeted segments	• Conducting market research on potential of Eurosets ECMO (an oxygenator)
	• Capture opportunities in nutraceuticals and food supplements	• Launched Arnia *Madu Kelulut* (stingless bee honey)
Venture into new product segment/ areas, including vaccines, insulin and oncology	• Scanned through the market for insulin in private and Government sectors to understand the requirements and current competitors	• Identified suitable types of insulin and costing for the Government and private sectors
	• Pharmaniaga signed an exclusive agreement with Serum Institute of India to supply Pneumosil, a Pneumococcal Conjugate Vaccine in Malaysia	• Successfully onboarded over 100 key paediatric specialists for Pneumosil, our first private-market vaccine
Optimise channel coverage	• Step up distribution and coverage at all pharmacies and traditional channels	• Citrex Vitamin C is now available at all independent pharmacies nationwide
Step up marketing initiatives & increase corporate and brand visibility	• Increase brand awareness for Citrex and Baraka via integrated media campaigns	• Achieved monthly TV presence for Citrex and Baraka Habbatus Sauda for 2022, supported by nationwide billboard placements
	• Expand our brand presence on popular digital platforms	• Achieved extensive corporate and brand visibility in social media
	• Use of search engine marketing (SEM) and online communication platforms	• Increased sales leads for the public market with 15,552 impressions compared to 383 impressions in 2020; and generated 81 sales conversions from 1,831 clicks
	• Engage key opinion leaders (KOLs) in digital marketing for new growth areas	• Registered record-high sales revenue of over RM712 million

BUSINESS PERFORMANCE REVIEW (continued)

Key Priorities	Key Initiatives	Achievements
Enhance RoyalePharma sales channels	• Set up RoyalePharma 24/7 vending machines to increase OTC sales	• Six vending machines have been set up within the Klang Valley at selected premises and BHP Petrol stations

KEY ACHIEVEMENTS

- Launched Rabirox, which captured over 15% market share within six months of launch
- Signed MoU with Serum Institute of India to supply Pneumosil, a Pneumococcal Conjugate vaccine in Malaysia
- Signed MoC with Malaysia Healthcare Travel Council (MHTC) to supply and distribute Hepatitis C drug

CHALLENGES & RISKS

Challenges	Mitigation Actions	Results
The pandemic increased demand and purchase intent for general health and immunity-related products	• Increase our listing and promotional activities for health-related products, especially Citrex Vitamin C and Baraka, Habbatus Sauda supplement • Improve inventory planning to meet increasing market demand	• Increased our listing with impactful merchandising into all pharmacies • Kept up with higher sell-out volumes with only short spells of supply disruption
The MCO has changed the way customers and consumers shop, with growing preference for contactless online transactions	• Improved RoyalePharma online store to meet growing demand • Accelerated the development of consumer-centric B2B portal to meet needs of physicians and pharmacies • Reviewed introduction of vending machines to dispense OTC products	• Ensure RoyalePharma online store is always stocked with high-demand products at good value • Fast-tracked the development of B2B portal and vending business, for launch next year
Low awareness on generic drug quality and efficacy in the private market	• Constant marketing effort to targeted doctors via seminars, webinars and one to one engagement sessions to increase product knowledge • Ongoing effort in various channels	• Encouraging take-up of newly launched drugs • Improve sales in selected therapeutic categories
Unregulated sales of medical devices online	• Regular dialogue with Malaysian Organisation of Pharmaceutical Industries (MOPI), National Pharmaceutical Regulatory Agency (NPRA) and Medical Device Authority (MDA) to address needs and expectations	• Reports submitted to MDA for action on illegal online sellers

OUTLOOK & PROSPECTS

Whilst continuing to focus on increased capacity and capabilities in order to fulfil its commitments efficiently, we seek to diversify into private sector businesses. Part of its expansion plan includes venturing into the region, starting by supplementing the logistics and distribution services provided by PT Millennium Pharmacon International Tbk in Indonesia.

PLSB's growth will be underlined by fully embracing digital technologies such as artificial intelligence and machine learning for enhanced operations – especially the ability to predict market trends, connect siloed businesses, and improve order fulfilment and supply chain efficiencies. Ultimately, our Logistics & Distribution Division seeks to fulfil its role of providing quality products at affordable prices for the *rakyat* in order to build a healthy nation.

BUSINESS REVIEW

INDONESIA OPERATIONS

Strong presence with 33 distribution and logistics branches, as well as a general and penicillin pharmaceutical plant

We have two subsidiaries in Indonesia: PT Errita Pharma (Errita), a manufacturing operation based in Bandung; and PT Millennium Pharmacon International TBK (MPI), which is focused on sales and distribution. Errita has been operating for more than 20 years and carries the GMP (CPOB), ISO 9001: 2015 and ISO 14001:2015 certifications.

WHAT WE DO

Errita produces generic pharmaceuticals as well as over-the-counter (OTC) products to treat a variety of diseases. Amongst its best-selling products are Etamox (an antibiotic) and Etaflusin (for cough and flu) in the pharmaceuticals category; and Etabion (a supplement) within the OTC range.

MPI is a public listed distributor company with 33 branches across Indonesia serving 34 principals, including Errita, and over 18,000 active medical channels comprising government hospitals, private hospitals, pharmacies and modern retail outlets. It distributes over 4,000 different products for over 17,000 customers.

KEY FOCUS AREAS

- Manufacture of generics and OTC products
- Distribution of pharmaceutical products and medical devices

BUSINESS ENVIRONMENT

Demand for pharmaceutical products in general improved in 2021 compared to the first year of the pandemic, with sales increasing by 13% year on year. However, this was mainly for COVID-19-related medications, health supplements, medical disposables, personal protective equipment, face masks and hand sanitisers. Demand for non-COVID-19 medications and other items remained subdued. The situation was further exacerbated by restricted mobility and movement, impeding distribution activity; and limited working hours, resulting in lower productivity. Together with stiff competition and an increase in the Provincial Minimum Salary, distribution margins have narrowed, whilst customer payments are delayed.

A key focus area during the year was to keep our employees safe from the virus. Accordingly, there was increased communication on the need to adhere to all SOPs. We also organised vaccinations for our employees, and achieved 97% double-vaccination by year end 2021.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
MANUFACTURING		
Expand product portfolio	• Conduct regular market studies on newly off-patent innovator pharmaceutical products	• 15 new products approved by the Badan Pengawasan Obat dan Makanan (BPOM)
	• Business synergy between Headquarters in Malaysia and Indonesia on technology transfer	• Launched 15 new products including Zochol 20mg and Tafaren Gel
Enhance Sales and marketing	• Increased sales team through new hires	• Hired 26 medical representatives who contributed to RM2.76 million in revenue
	• Capitalised on digital marketing via social media advertisements on popular platforms such as Instagram and Facebook, in addition to engaging with social media influencers	• OTC products sold online
Improve distribution	• On-boarded new distributors during the year	• A total of 23 distributors covering more areas in West, Central and East Java
Cost management	• Developed Pharmaniaga Production System for better cost control and packaging re-engineering	• Total savings of RM3.02 million
Acquire Halal Assurance Systems 2300 certification	• Preparation of supplier documents in compliance with Majelis Ulama Indonesia (MUI) requirements. Audit by MUI was completed in Q1 2022	• 20 products for Halal certification in 2022 are on track

BUSINESS REVIEW

INDONESIA OPERATIONS

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
LOGISTICS & DISTRIBUTION		
Grow online sales channels to meet increasing e-commerce demand	• Leveraged established e-commerce platforms to continue to market our wide range of products	• Total revenue increased by 13.3%
Grow our network of principals/suppliers to increase our market share	• On-boarded new principals/suppliers	• Enhanced our revenue by 13%
Rationalise stock management	• Improved inventory management	• Reduced our inventory cycle by 9%
Continuous improvement and operational excellence to increase efficiency	• Training provided for all branch managers to improve relevant skills and competencies	• Five branches – Surabaya, Jakarta 2, Tangerang, Batam and Padang – were named Best Branches in their respective class based on parameters such as revenue, inventory days, transaction growth, collection rate, and profit or loss

KEY ACHIEVEMENTS

- Errita launched 15 new products
- Errita achieved RM3.02 million in operational savings
- All 33 MPI branches and central warehouse obtained Good Distribution Practice (GDP) certification
- MPI's Inventory cycle reduced from 67 days to 61 days

CHALLENGES & RISKS

Challenges	Mitigation Actions	Results
MANUFACTURING		
• Stiff competition	• Continuous discussion with distributors	• Year on year improvement in sales value and volume
LOGISTICS & DISTRIBUTION		
• Local industry's fixed and low distribution margins	• Continuous discussion with principals/suppliers	• Improved distribution fee • Improvement in sales volume
• Managing working capital efficiency	• Accelerate payment collection	• Improved collection rate

OUTLOOK & PROSPECTS

The Indonesian pharmaceutical market is expected to grow by between 9% and 10% in 2022. This, together with greater focus by Pharmaniaga on strengthening the performance of our Indonesian operations, lends optimism to both Errita and MPI of enhanced performance in 2022.

Errita seeks to expand its presence in the pharmaceutical and OTC markets by expanding its in-house sales team and its product range. It aims to submit for registration and launch 15 products per annum.

MPI, meanwhile, is further enhancing its digital platforms with a new Oracle Cloud Fusion as well as sales and payment application. Together with strategic partnerships with principals, it is confident of increasing its profits over the years.

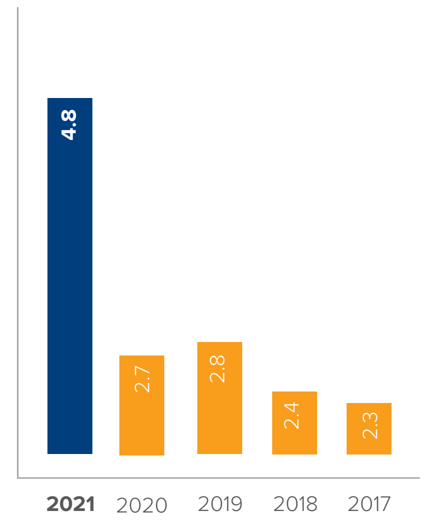
FIVE-YEAR GROUP FINANCIAL SUMMARY

All figures are in RM million unless otherwise stated		2021	2020	2019	2018	2017
FINANCIAL PERFORMANCE						
Revenue		**4,815.0**	2,725.1	2,820.5	2,385.0	2,324.0
Earnings before interest, taxation, depreciation and amortisation		**342.3**	101.2	130.6	153.5	147.6
Profit/(Loss) before zakat and taxation		**277.1**	35.8	(191.9)	70.2	73.1
Profit/(Loss) after taxation		**172.2**	26.3	(149.4)	43.2	55.1
Net attributable profit/(loss)		**172.1**	27.5	(149.2)	42.5	53.8
Earnings/(Loss) per share*	sen	**13.15**	2.10	(11.44)	3.27	4.15
Return on equity	%	**43.7**	8.1	(35.2)	8.2	10.2
Return on assets	%	**16.1**	4.3	(8.7)	6.0	6.1
Return on revenue	%	**6.4**	2.5	(5.4)	4.4	4.4
DIVIDENDS						
Dividend payout	%	**70.4**	104.7	(14.9)	98.0	91.6
Dividend payment		**121.8**	28.8	22.2	41.6	49.3
Net dividend per share*	sen	**9.3**	2.2	1.7	3.2	3.8
Dividend yield	%	**12.6**	2.2	4.1	5.8	4.1
Dividend cover	times	**1.4**	1.0	(6.7)	1.0	1.1
GEARING						
Borrowings		**855.2**	669.6	565.3	642.8	444.3
Gearing	times	**1.9**	2.0	1.7	1.3	0.8
Interest cover	times	**9.3**	2.0	(3.8)	2.9	3.5
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	**34.4**	25.8	25.9	39.1	40.7
Price earning ratio times	times	**5.6**	47.6	(3.6)	17.0	22.2
Paid up share capital		**154.1**	153.3	151.9	149.4	146.2
Shareholders' equity		**450.5**	337.5	337.9	509.3	528.0
Total equity		**470.4**	355.0	356.9	528.7	547.1
Total assets		**2,257.9**	1,580.2	1,592.3	1,907.7	1,607.8

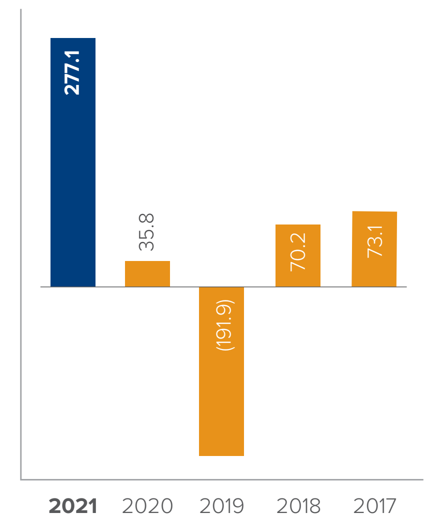
* *For comparative purpose, earnings/(loss) per share, net dividend per share and net assets per share for FY2017 – FY2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.*

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

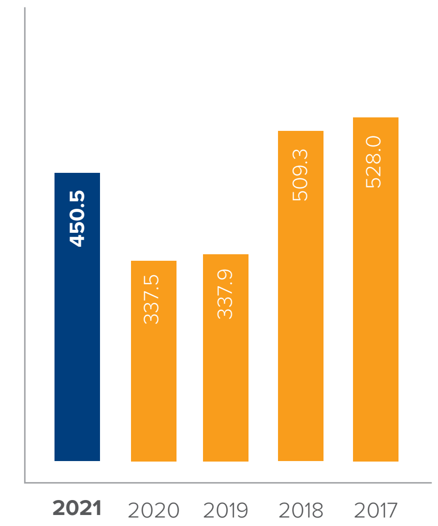
REVENUE
(RM billion)



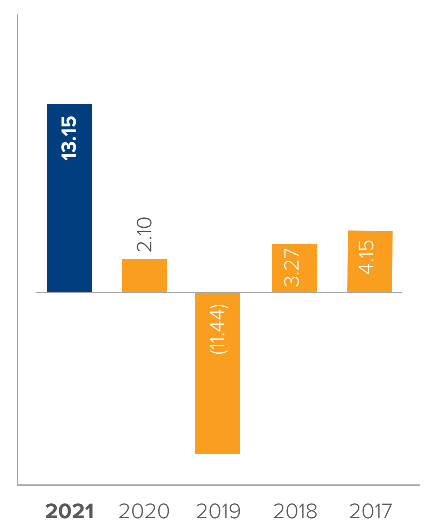
PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION
(RM million)



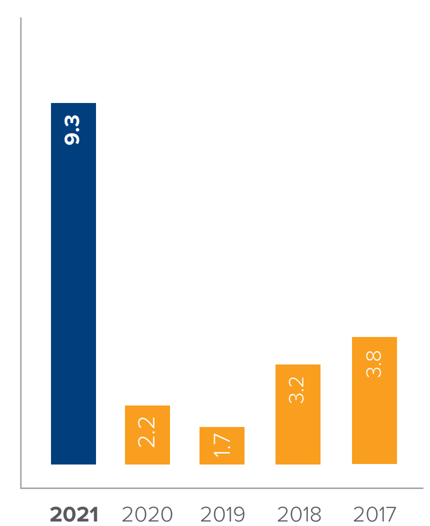
SHAREHOLDERS' EQUITY
(RM million)



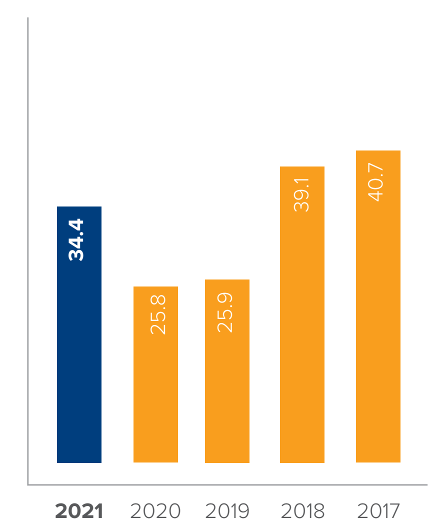
EARNINGS/(LOSS) PER SHARE
(sen)



NET DIVIDEND PER SHARE
(sen)



NET ASSETS PER SHARE
(sen)



GROUP QUARTERLY PERFORMANCE

RM'000	2021 Q1	Q2	Q3	Q4	Year
Revenue	793,499	1,177,123	2,132,675	711,718	**4,815,015**
Profit before zakat and taxation	31,524	22,244	98,219	125,088	**277,075**
Net profit	22,828	13,888	50,324	85,165	**172,205**
Net profit attributable to owners of the Parent	23,136	13,704	49,835	85,475	**172,150**
Earnings per share (sen)	1.76*	1.05	3.81	6.53	**13.15**
Dividend per share (sen)	0.8*	1.5	2.0	5.0	**9.3**

RM'000	2020 Q1	Q2	Q3	Q4	Year
Revenue	819,921	645,763	624,804	634,583	**2,725,071**
Profit/(Loss) before zakat and taxation	30,880	14,326	4,093	(13,506)	**35,793**
Net profit/(loss)	22,415	9,607	1,294	(7,047)	**26,269**
Net profit/(loss) attributable to owners of the Parent	22,399	9,979	1,442	(6,331)	**27,489**
Earnings/(Loss) per share (sen)*	1.71	0.76	0.11	(0.48)	**2.10**
Dividend per share (sen)*	1.2	0.5	0.3	0.2	**2.2**

** For comparative purpose, earnings per share and dividend per share for Q1 2021 and year 2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.*

FINANCIAL CALENDAR

Announcement of Consolidated Results

FINANCIAL YEAR
1 January to **31 December 2021**

INTEGRATED REPORT
Issued on **29 April 2022**

ANNUAL GENERAL MEETING
To be held **online** at **https://tiih.online**

Date : **13 June 2022 (Monday)**
Time : **9.30 a.m.**
Broadcast Venue : **Royale Chulan Damansara**

Results

1st Quarter:
Announced on **21 May 2021**

2nd Quarter:
Announced on **20 August 2021**

3rd Quarter:
Announced on **19 November 2021**

4th Quarter:
Announced on **17 February 2022**

Dividends

1ST INTERIM
Announced: **21 May 2021**
Payment date: **6 July 2021**
Entitlement date: **8 June 2021**

2ND INTERIM
Announced: **20 August 2021**
Payment date: **30 September 2021**
Entitlement date: **8 September 2021**

3RD INTERIM
Announced: **19 November 2021**
Payment date: **29 December 2021**
Entitlement date: **7 December 2021**

4TH INTERIM
Announced: **17 February 2022**
Payment date: **5 April 2022**
Entitlement date: **8 March 2022**

05

SUSTAINABILITY STATEMENT

As a leading pharmaceutical company in Malaysia, Pharmaniaga believes we have a duty to conduct our operations in a manner that is not just profitable but that also creates value for our stakeholders – namely our shareholders, customers, end users, business partners, suppliers, vendors, employees and the community at large. We also place great emphasis on operating in a manner that is respectful of the environment, as we recognise that a clean and healthy natural environment is critical to society's well-being, today and in the future.

OUR APPROACH TO SUSTAINABILITY

Our commitment to creating stakeholder value is what drives our sustainability agenda. To ensure our actions are properly aligned with current needs, and that they are implemented effectively, we have adopted a holistic approach encapsulated by a robust sustainability framework geared towards the attainment of our sustainability vision and mission. This framework, in turn, is supported by strong sustainability governance which oversees various policies and processes, as well as a roadmap clearly outlining end goals and the means to attain these.

We believe that sustainability is an ongoing journey; one that we seek continuously to enhance with deeper stakeholder engagement and the development of more effective strategies guiding our actions. Whilst improving our performance, we also wish to provide increasing clarity on our approach and outcomes through quality reporting. We therefore welcome feedback on how we can improve.

This Sustainability Statement only provides a summary of our approach to sustainability and key outcomes achieved during the year. For a more meaningful account of sustainability at Pharmaniaga, please read our standalone Sustainability Report 2021 (SR2021). Our standalone SR2021 provides deeper insight into our sustainability performances and achievements, which can be viewed online or downloaded from our website at *https://pharmaniaga.com/investor-relations-2/reports/*.

Meanwhile, if you would like to submit any comments or obtain clarification about any of our initiatives, please contact Dr. Badarulhisam Abdul Rahman, Head of Sustainability @ +603-3342 9999 or sustainability@pharmaniaga.com.

For the scope, boundary, reporting frameworks, guidelines referenced and verification of this sustainability statement, please refer to About This Report, in this IR.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY FRAMEWORK

This Sustainability Framework captures the essence of our approach to sustainability. It indicates our Sustainability Vision and Mission, as well as a revised Sustainability Roadmap to guide our strategic direction. The framework also demonstrates how our five Sustainability Goals are supported by 15 Key Focus Areas which, together, guide us to better manage all risks and opportunities related to sustainability, thus helping us to enhance our Economic, Environmental, Social and Governance (EESG) performance.

Governed by:
Sustainability Governance Structure, Sustainability Policy and other related policies & internal guidelines

SUSTAINABILITY VISION

Spearheading accessible healthcare through dynamic growth

SUSTAINABILITY MISSION

ECONOMIC	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Achieving balanced business growth whilst providing access to affordable and quality medicines	Spearheading environmental stewardship through stringent compliance and regulations	Strengthening our commitment to product and service responsibilities whilst improving the lives of our stakeholders	Building a strong culture of integrity, transparency and accountability for a resilient and sustainable business

SUSTAINABILITY ROADMAP

(2016 – 2020) What we have achieved:
- Sustainability Policy rolled out to all subsidiaries
- Established sustainability governance structure
- Raised awareness on sustainability
- Established first materiality matrix
- Implemented the Pharmaniaga Sustainability Reporting Framework across the Group, based on the GRI Standards
- Enhanced transparency through publication of annual sustainability reports

(2021 – 2025) What we want to achieve:
- Sustainability integrated in business strategy
- Sustainability performance is increasingly linked to executive remuneration
- Meet five-year sustainability targets set to drive performance in material sustainability areas
- Enhance credibility of sustainability disclosure
- Produce annual Integrated Reports

(2026 – 2030) What we aspire to achieve:
- Inculcate a culture of sustainability within the organisation
- Sustainability becomes integral to procurement process and supplier engagement
- Achieve five-year sustainability targets set
- Work in collaborative partnerships with third parties to support the fulfilment of the UNSDGs

SUSTAINABILITY GOALS

GOAL 1 Delivering Sustainable Value and Future-Proofing the Business	GOAL 2 Acting With Integrity	GOAL 3 Achieving Operational Eco-Efficiency	GOAL 4 Creating a Sustainable and High-Performance Workforce	GOAL 5 Building a Better Society
• Business Continuity • Technology & Innovation • Customer Satisfaction • Sustainable Products & Services	• Business Ethics & Corporate Governance	• Environmental Compliance • Resource Efficiency • Greenhouse Gas & Climate Change	• Employee Engagement & Retention • Fair Labour Practices • Health & Safety • Employee Training & Development • Diversity & Inclusion	• Supporting Local Business • Corporate Responsibility

KEY FOCUS AREAS

Driven Strategic Initiatives

SUSTAINABILITY GOVERNANCE

Sustainability at Pharmaniaga is led by our Board of Directors, which oversees our entire sustainability framework, policies and direction. Setting the tone from the top, our Directors ensure that a sustainability mindset permeates all levels in all companies within the Group, creating an intangible yet strong bond uniting the Pharmaniaga family in nurturing a sustainable future for everyone.

GOVERNANCE STRUCTURE	ROLES AND RESPONSIBILITIES
BOARD OF DIRECTORS	• Sets the tone and direction to drive Pharmaniaga towards sustainable development • Validating and approving all key matters and decisions related to sustainability
Quarterly Reporting	
BOARD SUSTAINABILITY COMMITTEE (BSC) Headed by: Independent Non-Executive Director	• Provides strategic direction to catalyse the integration of sustainability into the Group's business strategies and operations • Oversees Pharmaniaga's due diligence and other processes to manage our sustainability impacts • Deliberates on related matters prior to the Board's final approval
Quarterly Reporting	
SUSTAINABILITY MANAGEMENT COMMITTEE (SMC) Headed by: Group Managing Director	• Reviews and deliberates the effectiveness of the management of ESG matters and their impact on stakeholders and the organisation • Acts as the mediator between the Board and working group
Quarterly Reporting	
SUSTAINABILITY WORKING GROUP COMMITTEE (SWG) Headed by: Head of Sustainability	• Guides the deployment of sustainability strategies and monitors sustainability performance • Reports regularly to SMC on progress of the Group's sustainability initiatives
Monthly Reporting	
SUSTAINABILITY DEPARTMENT Headed by: Head of Sustainability	• Acts as key coordinator in driving the implementation of sustainability strategies and initiatives • Works closely with all subsidiaries and Sustainability Champions to track progress and performance, and provide support on corporate sustainability matters
Monthly Reporting	
ALL SUBSIDIARIES Led by: Sustainability Champions	• Adopt sustainability strategies, and implement sustainability initiatives and programmes • Report regularly on performance of respective subsidiaries to the Sustainability Department and SWG

Legend: Reports to | Headed or led by

SUSTAINABILITY STATEMENT

OUR STAKEHOLDERS

We have identified seven stakeholder groups – namely groups who either have an impact on our business or whom we impact through our operations. All stakeholders are important to us, thus we seek to understand their interest and concerns. We therefore engage with them and use their feedback to continuously improve our business practices, manage their expectations and bolster our relationship with them.

For more information on how we engage and respond to our stakeholders' concerns please refer to Stakeholder Engagement on pages 046 to 049 of this IR.

OUR MATERIAL MATTERS

In developing our sustainability strategies, we take into consideration issues that are of concern to our stakeholders as well as those that could impact our ability to achieve our corporate goals. These issues constitute our material matters, which are determined via materiality assessments. Our material matters are reviewed every year, and in 2021, the Management added 'Data Privacy and Security' such that we now have 21 material matters that guide our sustainability agenda.

For more information on how we conducted our materiality assessment and finalised our materiality matrix please refer to Our Material Matters on pages 057 to 061 of this IR.

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

The manner in which we manage our material matters directly influences our ability to achieve the five Sustainability Goals we have identified. In the table below, we describe the material matters as well as risks linked to each Goal, whilst also outlining the business strategies that are in place to support their attainment.

GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

Link to Business Risks:
- Business Risk
- Financial Risk
- Legal and Regulatory Risk

Link to Strategic Pillars:
- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare and Nutraceutical for Sustainable Growth
- Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

Link to UN SDGs: 8, 9, 3

Measurable Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021
Business Continuity	• Economic and Financial Sustainability	• Implement Business Continuity Management (BCM) Framework in all business units	• Implementation and roll-out of BCM to all manufacturing sites by Manufacturing Division
Technology & Innovation	• Product Quality • Service Quality	• Expand digital product and service offerings • Increase automation of critical and support processes within operations	• Implementation of three more Autobots (Robotics Process Automation) to handle order processing by all warehouses • Transport Management System went live at all Pharmaniaga Logistics Sdn Bhd branches
Customer Satisfaction	• Customer Satisfaction • Product Responsibility • Product Quality • Service Quality	• All business units, projects or products achieved targeted customer satisfaction ratings	• Increased customer satisfaction scores by 1% for Ministry of Health (MOH) and maintained the score for Ministry of Higher Education (MOHE) compared with the previous years
Sustainable Products & Services	• Accessibility of Healthcare Products • Accessibility of Halal Products • Affordable Healthcare Products	• Enhance sustainable product offerings • Achieve 2025 Product Development target • Compliance with Concession KPI	• 45 new products registered • Upgrading of equipment and facilities biopharmaceutical manufacturing • 23 products achieved Halal certification in 2021, with a cumulative total of 184 products with Halal certification • Achieved compliance with Concession KPI (99.3%) for all performance indicators stated under the Concession Agreement

GOAL 2: ACTING WITH INTEGRITY

Link to Business Risks:
- Legal and Regulatory Risk
- Cybersecurity Risk

Link to Strategic Pillars:
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries

Link to UN SDGs: 8, 9, 16

Measurable Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021
Business Ethics & Corporate Governance	• Good Corporate Governance and Integrity • Data Privacy and Security	• Uphold corporate governance • Zero ethics and integrity non-compliance cases • Enhance application of best practices as recommended by Malaysian Code on Corporate Governance	• Successful Anti-Bribery Management Systems (ABMS) certification for Pharmaniaga Research Centre Sdn Bhd • On-going audit preparation with external certification body for Pharmaniaga Manufacturing Berhad Bangi, Idaman Pharma Manufacturing Sdn Bhd Sungai Petani & Seri Iskandar and Pharmaniaga LifeScience Sdn Bhd Puchong • Maintained the ISO/IEC 27001:2013 Information Security Management Systems • Deployment of Intrusion Prevention System (IPS) and Distributed Denial of Service (DDoS) attack as well as Advance Threat Protection (ATP) solutions for email filtering

SUSTAINABILITY STATEMENT

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY

Link to Business Risks:
- Environmental Sustainability Risk
- Legal and Regulatory Risk

Link to Strategic Pillars:
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

Link to UN SDGs:

Measurable Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021
Environmental Compliance	• Hazardous Gas Emissions and Energy Management • Material and Waste Management • Water and Effluent Discharge Management	• Zero environmental non-compliance case	• Consistently maintained full environmental compliance, including ISO 14001 at all sites
Resource Efficiency	• Material and Waste Management • Water and Effluent Discharge Management	• Increase the use of renewable energy sources, reducing waste generated, and increasing water use efficiency across the Group	• Achieved RM2.2 million cost savings from energy-saving initiatives • Generated 768.68 GJ solar energy • Recycled 398.63 tonnes of general waste across operations • Utilised 215.39 tonnes of recycled input material in manufacturing operations • Converted 6.99 tonnes of scheduled waste into alternative raw materials
GHG & Climate Change	• Hazardous Gas Emissions and Energy Management	• 15% reduction in absolute greenhouse gas (GHG) emissions by 2025, against 2019 baseline	• Achieved 15% reduction in GHG emissions in 2021, against 2019 baseline

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

Link to Business Risks:
- Business Risk
- Legal and Regulatory Risk

Link to Strategic Pillars:
- Reinforce Human Capital through Capability Building for Superior Performance

Link to UN SDGs:

Measurable Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021
Employee Engagement & Retention	• Job Opportunities • Employee Engagement	• To sustain employee attrition rate at below 13% for Malaysia (60% weighting) and Indonesia (40% weighting)	• Recorded employee attrition rate of 10% for Malaysia and 19% for Indonesia
Fair Labour Practices	• Labour Practices	• Zero non-compliance cases related to employment and labour practices	• Achieved zero non-compliance cases related to employment and labour practices
Health & Safety	• Occupational Health and Safety	• Zero fatality • Year-on-year Lost Time Injury Frequency Rate reduction of 10%	• Achieved zero fatality in 2021 • Number of COVID-19 swab tests conducted on employees: 23,957
Employee Training & Development	• Training and Development	• To build capability for superior performance by 2025 through Succession Planning Program (SPP), High Potential Program (HiPo) and Career Path Program (CPP)	• Provided an average of 26 training hours per employee (53% increase from 2020) • Provided graduate employment opportunities to 84 individuals
Diversity & Inclusion	• Equal Opportunity	• Achieve 30% gender diversity target at Top, Senior, Middle Management and Executive levels	• 99.6% employees are local • Female composition in 2021: Senior Management: 31% Executive: 60%

GOAL 5: BUILDING A BETTER SOCIETY

Link to Business Risks:
- Business Risk

Link to Strategic Pillars:
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Reinforce Human Capital through Capability Building for Superior Performance

Link to UN SDGs:

Measurable Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021
Supporting Local Businesses	• Providing Business Opportunities	• Prioritise local vendors and suppliers • Enhance the quality of vendor development initiatives • Provide business opportunity to local communities through special project	• 413 RoyalePharma Alliance members • 24 companies registered under Vendor Development Programme (VDP) • Launched Arnia product range for *Madu Kelulut* as part of our initiative to provide business opportunities to local community
Corporate Responsibility	• Community Contribution and Development	• Establish and implement a strategic Corporate Responsibility (CR) policy at Group level	• Invested RM7 million in CR initiatives throughout Malaysia • Established sustainable CR projects to provide long-term positive impacts to the community

SUSTAINABILITY STATEMENT

ACHIEVING OUR SUSTAINABILITY GOALS

GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

Underlining our ability to create sustainable value for our stakeholders is Pharmaniaga's own business sustainability. Key to this is the ability to fulfil our business mission of providing access to quality healthcare that is affordable to the nation.

4 KEY FOCUS AREAS	MATERIAL MATTERS
BUSINESS CONTINUITY	6 Economic and Financial Sustainability
TECHNOLOGY & INNOVATION	2 Product Quality 4 Service Quality
CUSTOMER SATISFACTION	5 Customer Satisfaction 3 Product Responsibility 2 Product Quality 4 Service Quality
SUSTAINABLE PRODUCTS & SERVICES	1 Accessibility of Healthcare Products 18 Accessibility of Halal Products 16 Affordable Healthcare Products

LINK TO

BUSINESS RISKS:
- Business Risk
- Financial Risk
- Legal and Regulatory Risk

STRATEGIC PILLARS:
- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare and Nutraceutical for Sustainable Growth
- Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities
- Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

CAPITALS:
- Financial
- Manufactured
- Intellectual
- Social and Relationship

UNSDGS: 3, 8, 9

PERFORMANCE HIGHLIGHTS

Increased customer satisfaction scores:
MOH : 98%
MOHE : 96%

23 products successfully Halal-certified in 2021, bringing the total to **184 Halal** registered products

45 new products successfully registered

Implementation of additional **3 Autobots (RPA)** to handle order processing by all warehouses

BUSINESS CONTINUITY

Business continuity is essential to the sustainability of Pharmaniaga, ensuring not only the ability to overcome any unexpected crisis but also the gradual strengthening of our financial performance in order to maintain sustainable growth. It is only by safeguarding our business that we can continue to deliver value to various stakeholders.

Material Matter

Economic and Financial Sustainability

Key Initiatives
- We rolled out a Business Continuity Management Framework for our operations. We are now implementing Business Continuity Plans (BCPs) at all our manufacturing sites whilst our Logistics & Distribution Division has finalised and received Management's endorsement of their BCP
- Worked closely with our suppliers and vendors on the continuous supply of materials; enhanced our inventory management; and sourced for alternative suppliers where needed
- To fulfil our vaccine commitment, we collaborated with our partner, Sinovac Life Sciences Co., Ltd. on the relevant transfer of technology
- Leveraged the surge in demand for COVID-19 related items such as masks, syringes and gloves by creating a new business to produce and supply protective personal equipment (PPE) and other pandemic-related items
- Ramped up consumer healthcare production to capitalise on increased sales of over-the-counter products

For more information on the challenges and opportunities faced during the year, and our response, please refer to our GMD's Review, Key Market Trends and Business Review on pages 032 to 039, 054 to 056 and 070 to 083. Meanwhile, Pharmaniaga's financial performance and outlook are detailed in the financial disclosures within this IR, on pages 176 to 284.

TECHNOLOGY & INNOVATION

Pharmaniaga believes in continuous innovation in order to enhance our operational efficiencies as well as our product and service quality. We are looking into establishing a fully automated distribution centre using Oracle Transportation Management (OTM), which eliminates manual data entry, automates best routing and improves transportation cost. We are also leveraging Internet of Things to enhance our logistics capabilities.

Material Matter

Product Quality & Service Quality

Key Initiatives
- Introduced additional three Autobots to process orders for all warehouses related to tenders, dialysis and Social Security Organisation (SOCSO) for the private market. Currently, almost 100% of the Approved Products Purchase List (APPL) workload is performed by RPA
- One more Autobot is being used in accounts payable section to improve the efficiency to input data especially for invoices which have multiple lines and needed expenses allocation or multiple charging code. This system may be further improved with Accounts Payable Automation in the future
- OTM went live at our warehouses in Bukit Raja, Selangor, Sarawak and Pulau Pinang, whilst its implementation at Section 15, Selangor and Sabah is nearing completion
- Our high-tech Puchong plant has implemented an Automatic Visual Inspection & Leak Detector system to replace the manual process of identifying defects in finished products. It has also adopted an advanced imaging and detection technology that is able to reduce the incubation time for sterility testing by nearly half

CUSTOMER SATISFACTION

We seek to meet customers' expectations on our product and service quality whilst ensuring the highest efficacy of our products. To understand our customers' needs and expectations, we obtain feedback through surveys that are managed by our Customer Experience (CX) Unit under the Customer Care Department.

Material Matter

Customer Satisfaction

Key Initiatives
- Enhanced the quality of customer handling of all Contact Centre Agents through training and monitoring
- Virtual meetings were held amongst Pharmaniaga Logistics Sdn Bhd, Jabatan Kesihatan Negeri (JKN) and Ministry of Health (MOH) to discuss ongoing activities and resolve any issues; whilst casual meetings were organised throughout Malaysia for better understanding of concerns and expectations and to strengthen ties

What We Achieved

Customer satisfaction survey results (%):

	2021	2020	2019
MOH	**98**	97	94
MOHE	**96**	96	92
Private Sector	**N/A**	94	92

Product Responsibility

Key Initiatives
- Developed PV e-card which is available to all employees on the Phamily website to facilitate communication during emergencies related to product safety
- Obtained Good Manufacturing Products approval from National Pharmaceutical Regulatory Agencies (NPRA) for COVID-19 production line in Pharmaniaga LifeScience Sdn Bhd
- Obtained cold chain certification from NPRA for Pharmaniaga Logistics Sdn Bhd Section 15, Selangor Warehouse
- Obtained Pharmacist Type A License from Selangor Enforcement for a new Royale Pharma outlet in Bangi
- Recorded zero non-compliance concerning information and labelling or health and safety impacts related to the use of products and services in 2021

Product & Service Quality

Key Initiatives
- Pharmaniaga is committed to providing high quality products and services to our customers, and ensuring strict compliance with relevant standards and certifications
- Underlining this commitment, we maintained all quality related certifications in 2021

SUSTAINABLE PRODUCTS & SERVICES

We seek to provide quality healthcare products that are affordable and accessible to all Malaysians, hence focus on generics – either imported or manufactured at our own facilities. To ensure inclusivity of healthcare, we are also focused on ensuring all our products carry the Halal certification, hence can be administered to everyone.

Strategic Development Plan

Pharmaniaga has a 10-year Development Programme that supports the continuous provision of affordable healthcare products to our customers. The programme covers different product segments including pharmaceuticals, biopharmaceuticals, over-the-counter (OTC) and nutraceutical products that have been identified via analysis of the market's short to long-term needs.

- In ***pharmaceuticals***, we are looking to launch more than 75 products in the next eight to 10 years with emphasis on niche and differentiated treatments in the category of sustained release and complex generics.
- In ***biopharmaceuticals***, we plan to venture into recombinant human insulin for diabetes and vaccines for a range of diseases including meningococcal and pneumococcal infections, influenza, human papillomavirus, typhoid and COVID-19.
- In the ***OTC*** segment, we aim to introduce many more effervescent products for adults and children along with supplementary medicines to major therapeutic areas like cardiovascular, central nervous system, diabetes, immunity boosters, amongst others.
- Our ***nutraceutical*** portfolio will revolve around products like Arnia *madu kelulut* (stingless bee honey) enhanced with herbs and other nutrient-rich ingredients such as algae omega oil.

Material Matter

Accessibility of Healthcare Products

Key Initiatives
- In 2021, we became the first pharmaceutical company in Malaysia for fill and finish manufacturing of human vaccine, and are now looking to produce more vaccines & other biological products including insulin
- To secure stocks of high-demand items, such as personal protective equipment, masks, sanitisers, paracetamol and cough syrup, we sourced alternative suppliers and onboarded several new one-off purchase suppliers
- Enhanced our warehousing efficiency by establishing a Central Distribution Centre (CDC) for the private and retail markets. We also enhanced our capacity by renting space for the CDC, concluding an agreement to rent warehouse space in Pulau Pinang, and sourcing for more space in Sabah
- Expanded the capacity of our cold room facilities in the Section 15, Selangor and Pulau Pinang warehouses to accommodate new APPL products and COVID-19 vaccines
- Implemented a multichannel e-commerce management tool to enhance our back-end operations and better manage our inventory for multiple marketplaces

Accessibility of Halal products

Key Initiatives
- All our OTC products manufactured in Malaysia are now Halal certified
- Revised our Halal Assurance System (HAS), and established new policies and procedures in line with new requirements and standards
- Organised training for our Internal Halal Committee on new standards and regulations under the Malaysia Halal Certification and Malaysian Standard MS 2424:2019
- Six employees were certified Professional Certified Halal Executive by the Halal Professional Board
- Submitted application to Indonesia's Halal Product Assurance Agency (BPJPH) for HAS 2300 Certification for our manufacturing plant in Indonesia

Affordable Healthcare Products

Key Initiatives
- Successful technology transfer for COVID-19 vaccine, enabling us to support the National Immunisation Programme
- Submitted the dossiers of 18 products to the NPRA seeking marketing authorisation; and received approvals for 45 new products
- Undertook quality improvement initiatives and filed a few products to regulatory agency for variation or improvement approvals
- Launched Pharmaniaga Production System (PPS) which will deliver RM2.8 million in capacity and yield improvements; and RM3.0 million from enhanced lead and cycle times, inventory reduction and productivity improvement

GOAL 2: ACTING WITH INTEGRITY

Integrity is critical in the pharmaceutical industry. It ensures that everything we do and everything we offer to patients as well as other consumers comply with the most stringent regulations. Upholding the highest level of integrity, we seek to improve lives and contribute to a more equitable world.

KEY FOCUS AREAS	MATERIAL MATTERS	LINK TO
BUSINESS ETHICS & CORPORATE GOVERNANCE	12 Good Corporate Governance and Integrity 7 Data Privacy and Security	**BUSINESS RISKS:** Legal and Regulatory Risk; Cybersecurity Risk **STRATEGIC PILLARS:** Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing; Strengthen Footprints in International Ventures via Focus Countries **CAPITALS:** Financial; Social and Relationship **UNSDGS:** 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 16 Peace, Justice and Strong Institutions

PERFORMANCE HIGHLIGHTS

Pharmaniaga Research Centre Sdn Bhd has successfully obtained the certification of MS ISO 37001:2016 Anti-Bribery Management Systems (ABMS)

Data Centre at Bukit Raja certified with ISO/IEC 27001:2013 Information Security Management Systems (ISMS)

Zero reported cases of data leakage or cyberattacks

BUSINESS ETHICS & CORPORATE GOVERNANCE

Pharmaniaga is committed to conducting our business ethically and with integrity, guided by a robust corporate governance foundation and framework. Our corporate governance is overseen by the Board, which assumes responsibility for the Group's leadership, supported by our management team and employees. Decisions by the Board are guided by the Company's policies, guidelines and terms of reference.

As we are building our digital systems and processes, we recognise the need to ensure good data governance as part of our overall governance framework.

To protect the privacy and security of data, information and intellectual property belonging to the organisation and our stakeholders, we have established Information Security Policies and Standards. The management of data privacy and information security in Pharmaniaga is under the purview of the Information Technology Department and Information Security Coordinators.

Material Matter

Good Corporate Governance & Integrity

Key Initiatives

- In December 2021, our Research and Development arm became the first in the Manufacturing Division to be ISO 37001:2016 Anti-Bribery Management Systems (ABMS) certified. Four other manufacturing subsidiaries are expected to obtain the certification from SIRIM by the third quarter of 2022
- ABMS Roadshow was organised as a refresher session on the Company's policies and Code of Ethics and Conduct for existing employees and new employees were introduced to these during induction programme
- We have a dedicated Certified Integrity Officer to ensure accountability of ethical conduct throughout the Group

Data Privacy & Security

Key Initiatives

- Conducted our annual audit on the physical security, infrastructure readiness and utilities support at the Bukit Raja Data Centre, covering the operating systems and database of the Enterprise Resource Planning (ERP), Manufacturing Resource Planning (MRP), Enterprise System (SAP HANA) and e-Procurement System
- Successfully maintained the ISO/IEC 27001:2013 Information Security Management Systems (ISMS) certification to protect the confidentiality, integrity and availability of data

For more information on the Board, and our policies please refer to the Corporate Governance section in this IR, on pages 148 to 175.

SUSTAINABILITY STATEMENT

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY

In light of global environmental issues such as climate change and waste management, it has become imperative for all organisations to integrate eco-friendly considerations into our day-to-day operations.

3 KEY FOCUS AREAS	MATERIAL MATTERS
ENVIRONMENTAL COMPLIANCE	17 Hazardous Gas Emissions and Energy Management 9 Material and Waste Management 13 Water and Effluent Discharge Management
RESOURCE EFFICIENCY	9 Material and Waste Management 13 Water and Effluent Discharge Management
GHG & CLIMATE CHANGE	17 Hazardous Gas Emissions and Energy Management

LINK TO

BUSINESS RISKS:	Environmental Sustainability Risk Legal and Regulatory Risk
STRATEGIC PILLARS:	Strengthen Footprints in International Ventures via Focus Countries Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
CAPITALS:	Natural
UNSDGS:	3, 6, 7, 12, 13

PERFORMANCE HIGHLIGHTS

- **Zero** incidents of non-compliance to environmental regulations
- Approximately **RM2.2** million of cost savings achieved from **energy-saving** initiatives
- **768.68 GJ** generated from solar energy
- **398.63 tonnes** of general waste recycled
- **15%** reduction in Greenhouse Gas Emission against 2019 baseline
- About **RM15,000** of cost savings achieved from water recycling programmes
- **215.39 tonnes** of recycled input material utilised in manufacturing operations

ENVIRONMENTAL COMPLIANCE

As a manufacturer of pharmaceutical products, we recognise the need to minimise our impact on the environment through stringent compliance. This is assured by complying with all the relevant environmental regulations, guided by our Environmental Health & Safety Policy under ISO 14001: 2015 Environmental Management Systems (EMS).

Our environmental performance, programmes and initiatives are coordinated and managed by Environment Management Representatives (EMRs) at each site. Our EMRs report on our environmental performance to the Environmental Management System (EMS) committees and the Sustainability Department on a regular basis. These reports from EMRs are monitored by EMS committees and the Sustainability Working Group on a monthly basis and updated to the Board Sustainability Committee and the Board every quarter.

Pharmaniaga strictly complies with the following environmental regulations to ensure our operations run efficiently without any adverse impacts on the environment, as well as our businesses:

Operations in Malaysia

i. Environmental Quality Act 1974
ii. Environmental Quality (Clean Air) Regulations 2014
iii. Environmental Quality (Industrial Effluent) Regulations 2009
iv. Environmental Quality (Sewage) Regulations 2009
v. Environmental Quality (Scheduled Wastes) Regulations 2005
vi. Environmental Quality (Refrigerant Management) Regulation 1999
vii. Environmental Quality (Control of Emission from Petrol Engines) Regulation 1996
viii. Environmental Quality (Control of Emission from Diesel Engines) Regulation 1996
ix. Environmental Quality (Motor Vehicle Noise) Regulation 1987
x. Guidelines for Environmental Noise Limits and Control 2019

Operations in Indonesia

i. Regulation of the Environment and Forestry Minister Number 5 of 2014 (on wastewater quality standards for the pharmaceutical industry)
ii. Government Regulation Number 101 of 2014

RESOURCE EFFICIENCY

As part of our environmental stewardship, we seek to optimise our materials usage in order to minimise our impact on natural resources whilst also reducing the generation of waste and effluent. Waste and water management is integral to our efforts to be resource efficient.

Our waste management efforts involve thorough inventory planning as well as the use of a resource planning software to monitor and record material consumption at our facilities. We also incorporate recycled material in our product packaging to minimise the depletion of primary natural resources. All hazardous waste is carefully monitored and disposed of in line with regulatory requirements. Such waste is labelled and stored in designated areas until it is collected by appointed third-party licensed contractors for treatment and disposal according to the law. Meanwhile, waste mitigation procedures are in place to reduce the generation of non-hazardous waste.

Our operations in Malaysia rely on municipal water supply, which is used primarily for manufacturing processes and domestic purposes. On the other hand, one of our operations in Indonesia withdraws groundwater. Various targets have been set for water and effluent management, tailored to ensure efficient consumption and to minimise our impacts on the environment.

Material Matter

Material and Waste Management

Key Initiatives	What We Achieved
• Use of grey back (recycled) carton for some our products • Repurposing of scheduled waste into alternative raw materials	• Total recycled packaging material usage of 215.39 tonnes. • 398.63 tonnes of general waste recycled • Repurposed 6.99 tonnes of scheduled waste into alternative raw materials and cost saving was RM14,957 for the Bangi plant

Water and Effluent Discharge Management

Key Initiatives	What We Achieved
• Water recycling project	• RM15,000 in cost savings via water recycling

GHG & CLIMATE CHANGE

We seek to minimise our Greenhouse Gas (GHG) emissions in line with the Government's commitment to becoming a carbon-neutral nation by the year 2050. Various initiatives are being implemented to reduce our carbon footprint. Meanwhile, we are also conscious of ensuring emissions generated by our manufacturing and other operations are within the permissible limits set by the Department of Environment.

Material Matter

Hazardous Gas Emissions & Energy Management

Key Initiatives	What We Achieved
• Implemented comprehensive energy reduction initiatives as part of efforts to optimise energy consumption in our operations	**Energy and GHG emissions performance in 2021** • Maintained zero environmental non-compliance cases • 34,807.37 tCO_2e GHG emission (15% reduction from 2019 baseline) • GHG emissions intensity: 7.23 tCO_2e per RM million (50% reduction from 2019 baseline) • Cost saving of RM2.2 million for energy reduction initiatives • Generated 768.68 GJ through solar panel • Embarked on implementation of solar panel across our Malaysia operations

SUSTAINABILITY STATEMENT

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

Our people are our most invaluable assets. To enhance our sustainability as well as to generate sustainable value for our stakeholders, we recognise the need to invest in our employees and help them to realise their potential.

5 KEY FOCUS AREAS	MATERIAL MATTERS
EMPLOYEE ENGAGEMENT & RETENTION	20 Job Opportunities 11 Employee Engagement
FAIR LABOUR PRACTICES	8 Labour Practices
HEALTH & SAFETY	10 Occupational Health and Safety
EMPLOYEE TRAINING & DEVELOPMENT	19 Training and Development
DIVERSITY & INCLUSION	15 Equal Opportunity

LINK TO

BUSINESS RISKS:	Business Risk Legal and Regulatory Risk
STRATEGIC PILLARS:	Reinforce Human Capital through Capability Building for Superior Performance
CAPITALS:	Human Social and Relationship Intellectual
UNSDGS:	1, 3, 4, 5, 8, 16

PERFORMANCE HIGHLIGHTS

- **99.6%** employees are local
- **31%** of Senior Management positions held by women
- **60%** of Executive positions are held by women
- Average of **26** training hours per employee
- **Zero** recorded cases of discrimination and non-compliance with labour practices
- **Zero** workplace fatalities
- **84** individuals provided with graduate employment opportunities

EMPLOYEE ENGAGEMENT & RETENTION

We believe that engaged employees are more invested in the companies they represent, are more fulfilled at work, and more productive. We therefore seek to engage with our employees in ways that are meaningful – not only to enhance productivity but also to engender a feeling of belonging to the Pharmaniaga family.

Material Matter

Job Opportunities

Key Initiatives

- Hired a total of **536 new employees** to support our needs as we ramped up operations to meet the surge in demand for COVID-19 vaccinations and other pandemic-related products
- Provided graduate employment opportunities:
  - **29 PROTÉGÉ**
  - **51 Internship**
  - **4 Provisionally Registered Pharmacists**

Employee Engagement

Key Initiatives

- Management-employee engagement via townhalls, emails and newsletters, amongst others
- Provision of loans, medical insurance and benefits, leave and well-being support
- Employee recognition events, festive celebrations, religious activities and organised activities to enhance health & well-being

FAIR LABOUR PRACTICES

As a responsible organisation, Pharmaniaga is committed to treating all our employees fairly and with respect. We uphold human rights across our businesses, adhering to applicable laws and regulations in Malaysia and Indonesia. These include the Employment Act 1955, Trade Union Act 1959 and Contracts Act 1950 in Malaysia; and the Labour Law (13/2003), Industrial Relations Dispute Settlement (2/2004) and Law on Labour Unions (21/2009) in Indonesia.

Within the workplace, we are guided by our Employee Handbook and Code of Ethics and Conduct. We expect our employees, suppliers and stakeholders to also uphold human rights when conducting any Pharmaniaga-related business. Our Code of Conduct is shared with our business partners with the express intention for them to adhere to our principles with regard to labour practices and human rights. Pharmaniaga also honours employees' right to freedom of association and collective bargaining.

In recruitment for our Malaysian and Indonesian operations, we abide by the minimum employment age as set by the countries' labour laws, which is 18 years. Additionally, our recruitment process is guided by a clear set of SOPs, which includes screening candidates from their application profiles and referring to original documentary evidence as submitted by them. These measures ensure transparent and ethical recruitment, mitigating any possibility of forced labour or modern slavery.

SUSTAINABILITY STATEMENT

HEALTH & SAFETY

The health and safety of our employees is top priority at Pharmaniaga. To ensure optimum safety across our operations, we have in place a robust Safety and Health Policy. In addition, we have adopted Occupational Health and Safety (OHS) requirements and best practices as per ISO 45001:2018 Occupational Health and Safety Management Systems.

Material Matter

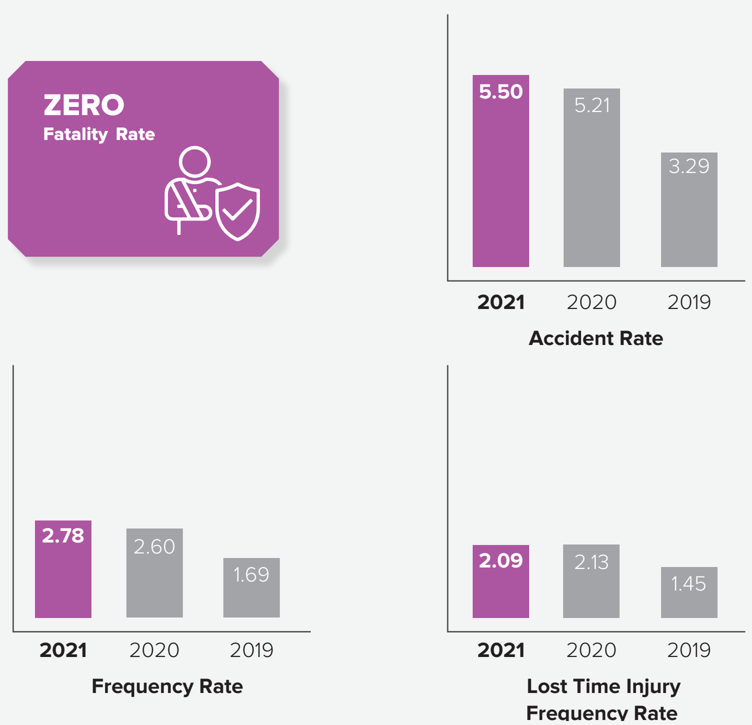
Occupational Health & Safety

Key Initiatives

- All subsidiaries have successfully upgraded to ISO 45001:2018
- Throughout 2021, our employees received safety training and attended safety campaigns. We also included contractors in our OHS trainings and campaigns

What We Achieved

Pharmaniaga's OHS Performance Data



Note: *The scope for data above is for operations in Malaysia only*

During the year, our accident rate and frequency rate increased, partly as a result of conscious efforts by management to enhance employees' awareness of the importance of reporting incidents. Towards achieving our zero accidents goal, we seek to further improve employees' awareness of health and safety, whilst continuously reviewing and inspecting the workplace.

EMPLOYEE TRAINING & DEVELOPMENT

Our training programme is built on a structured talent development framework, with the goal of developing organisational capabilities for superior performance. The framework involves assessing individual employee's capability gaps, followed by identifying suitable programmes to address these. Employees are continuously monitored to enhance their competencies in order for Pharmaniaga to meet our strategic goals.

Build Capability for Superior Performance

Step 1 – Assess Individual Capability Gap

Step 2 – Atttend Suitable Programme

Step 3 – Monitor & Measure

Step 4 – Continuous Improvement

Step 5 – Manage Performance

Step 6 – Strategic Goals - Centre of Excellence

2020

2021-2022

- **Leadership Development Programme**
  - Succession Planning Programme
  - High Potential Programme
- **Development of Career Path**
  - Soft Skills
  - Technical Skills
- **Cross-Functional Team**
  - Shared Objective

2023-2024

- **Monitor and measure**
- **Improve continuously**

2025

- **Train change leader**
- **Manage performance**

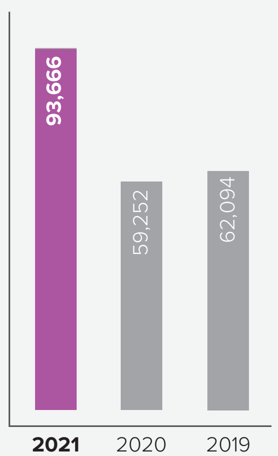
Training programmes in soft skills, technical, functional and IT areas are provided to employees using internal and external subject matter experts. With restrictions on physical training, most of the sessions were conducted online.

Material Matter

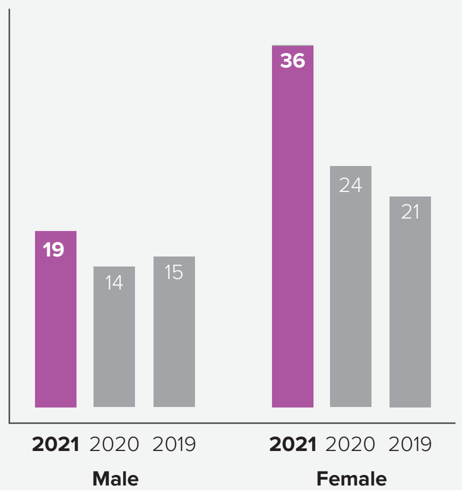
Training & Development

What We Achieved

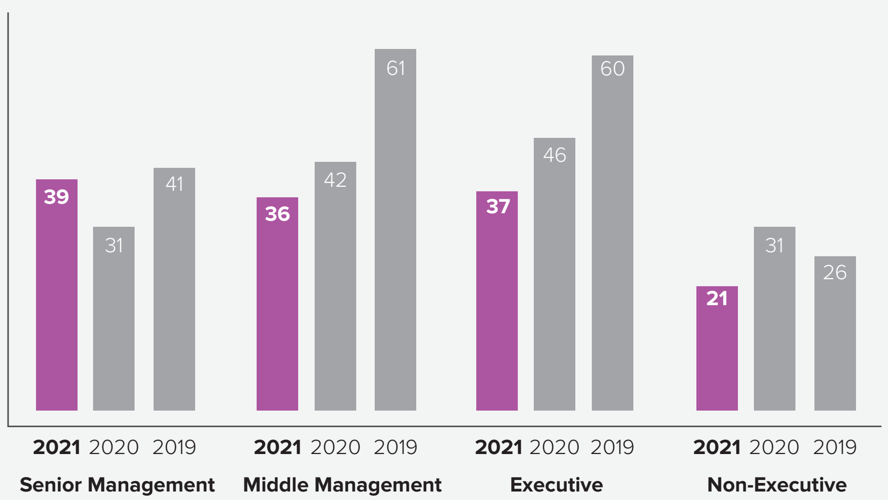
In 2021, we provided 93,666 hours of training focused on capacity and knowledge-building – equivalent to an average of 26 hours of training per employee. The number of total training hours increased by 58% compared to 2020, due to the successful transition to online training.



Total Training Hours



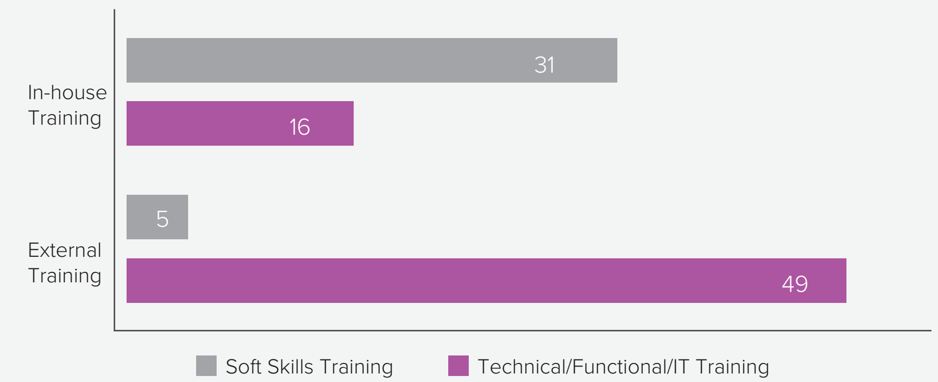
Average Training Hours by Gender



Average Training Hours by Employee Category

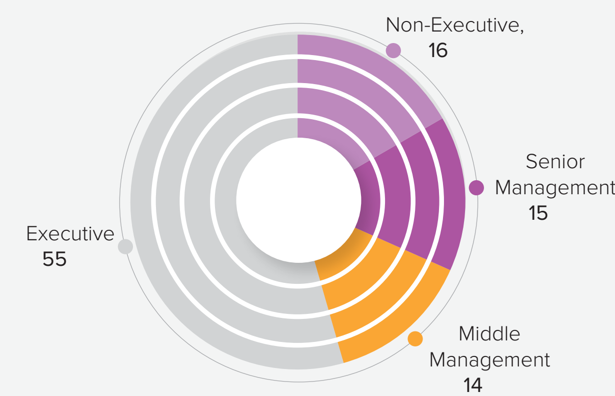
Note: *Senior Management is defined as Senior Manager and above*

In 2021, we invested close to RM1.6 million in training, an increase of almost 60% compared to 2020. The increase was due to expanded training hours as we transitioned all relevant training to the online platform.



Training expenditures (%) in 2021 according to types of training

Amount Spent (%) on Training in 2021 According to Employee Category



Training expenditures (%) in 2021 according to employee level

DIVERSITY & INCLUSION

Pharmaniaga acknowledges the value of diversity in enriching organisations, and is committed to promoting diversity throughout the Group by being an equal opportunity employer. In our recruitment process, we evaluate candidates based on their knowledge, skills, experience and attitude as opposed to more personal attributes such as gender, age and ethnicity.

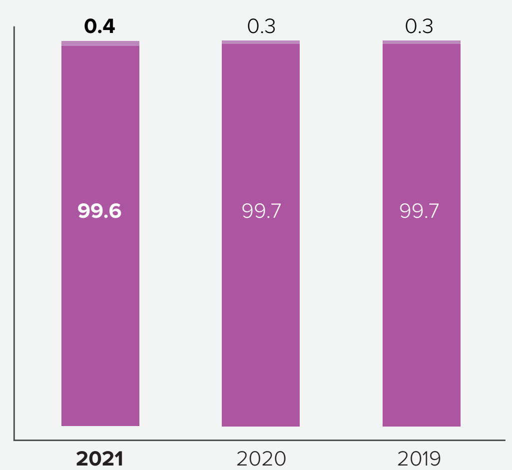
Testament to our gender-equal approach, women dominate at the executive level and 31% of our Senior Management are led by women. Acknowledging the importance of increasing women representation on the Board, the Nominating and Remuneration Committee will strive to meet the Malaysian Code on Corporate Governance.

Material Matter

Equal Opportunity

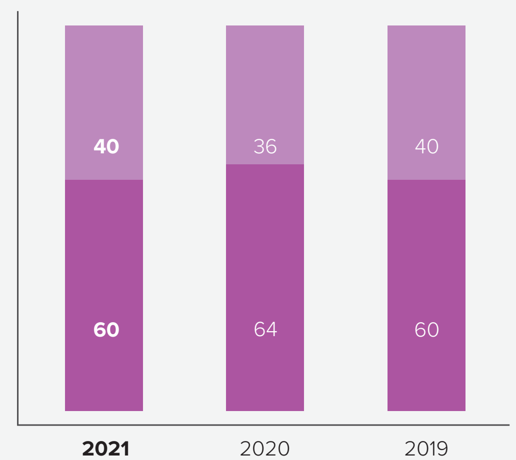
What We Achieved

Our total workforce in Malaysia and other countries increased from 3,603 in 2020 to 3,642 in 2021, with 99.6% of all employees hired locally.



Employee Distribution by Nationality (%)

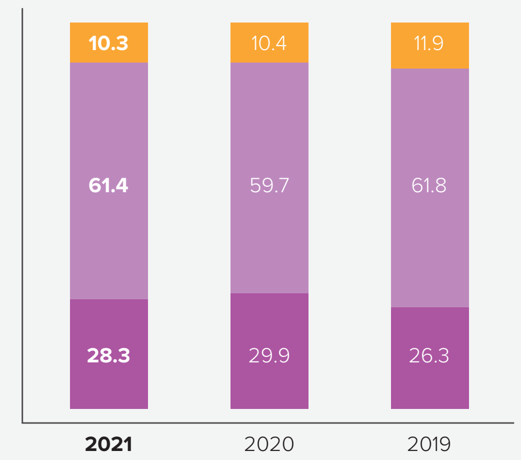
Local Non-local



Employee Distribution by Gender (%)

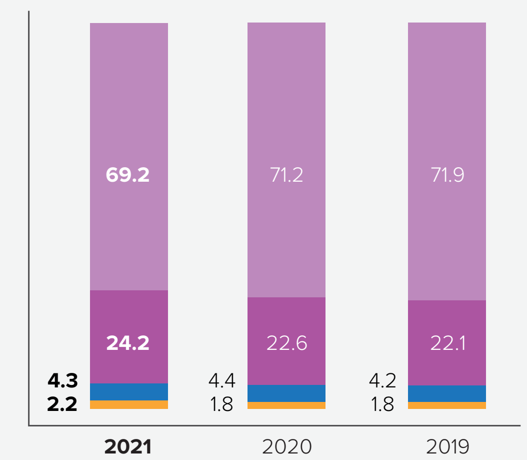
Male Female

At the entry level, the basic salary offered to employees is the same for men and women. Throughout employees' careers at Pharmaniaga, opportunities for training and promotion, as well as the payment of bonuses and increment are all based on merit as opposed to any of the more personal attributes of employees.



Employee Distribution by Age (%)

Less than 30 30-50 More than 50



Employee Distribution by Employee Category (%)

Senior Management Middle Management Executive Non-Executive

Our commitment to improve gender equality in the highest governance body is depicted through our performance this year, where 11% of the Board members are represented by women. We will continue to work hard in the future to enhance the diversity of our workforce and governance bodies, to bring in superior value to the organisation.

Note: *Senior Management is defined as Senior Manager and above*

SUSTAINABILITY STATEMENT

GOAL 5: BUILDING A BETTER SOCIETY

The ultimate aim of sustainability is to create a more equitable world in which there is no hunger, no poverty and everyone has the same access to quality services. We can make a start in this regard by contributing to our own local communities.

2 KEY FOCUS AREAS	MATERIAL MATTERS
SUPPORTING LOCAL BUSINESSES	21 Providing Business Opportunities
CORPORATE RESPONSIBILITY	14 Community Contribution and Development

LINK TO

BUSINESS RISKS:	Business Risk
STRATEGIC PILLARS:	Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing Reinforce Human Capital through Capability Building for Superior Performance
CAPITALS:	Social and Relationship
UNSDGS:	1 No Poverty; 3 Good Health and Well-Being; 8 Decent Work and Economic Growth

PERFORMANCE HIGHLIGHTS

Approximately **RM7 million** invested in corporate responsibility

413 members in **RoyalePharma Alliances Programme**

Distributed **RM24.1 million** in *zakat* (alms-giving) to Majlis Agama Islam throughout Malaysia

SUPPORTING LOCAL BUSINESSES

Pharmaniaga recognises the potential we have in helping to nurture and develop the local SME ecosystem supporting our industry. To fulfil this responsibility, we promote local suppliers and vendors through contracts as well as through capability-building. We give preference to local suppliers and vendors for the purchase of non-specialty items; however, we still depend on international suppliers for Active Pharmaceutical Ingredients (API), excipients and bulk vaccines.

Material Matter

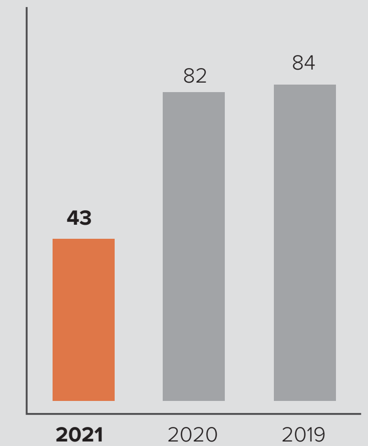
Providing Business Opportunities

Key Initiatives

- Supporting local suppliers, vendors and business owners in line with internal policy and guidelines

What We Achieved

- In 2021, we embarked on a collaboration with a local university to commercialise stingless bee honey. This entails providing grants to local beekeepers to scale up their business whilst enhancing the quality of their honey. Eventually, more beekeepers will be involved to increase the volume of honey produced. The honey, known as *Madu Kelulut*, is being marketed by Pharmaniaga under the brand Arnia. It represents Pharmaniaga's first nutraceutical product, and is available both in the domestic and international markets
- Our local procurement budget almost halved (to 43%) in 2021 compared to 2020 because of the need to purchase COVID-19 vaccines from foreign companies to meet the Government's needs

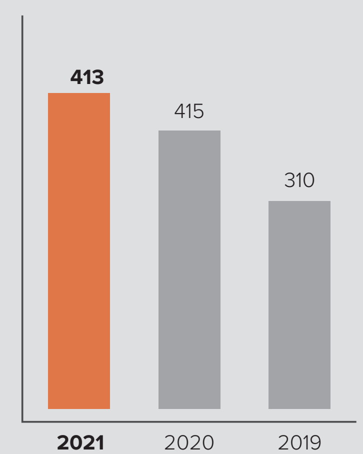


% Of Procurement Budget Spent on Local Suppliers

Key Initiatives

- Under the RoyalePharma Alliances Programme, we have become Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA)'s procurement partner, and will provide procurement support activities for their COOP Farmasi outlets.

What We Achieved



Total Members of RoyalePharma Alliances Programme

- Pharmaniaga continuously engages with our Alliance members and act as their distribution centre

pharmaniaga

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

CORPORATE RESPONSIBILITY

Caring for our local communities is a natural extension of what we do through our business, namely to care for people's health. We have been contributing to society in many different ways throughout the years, and will continue to do the same for many more years to come.

Despite movement and other restrictions imposed by the pandemic, we have continued to extend assistance to the underprivileged and marginalised in society. We also developed a five-year roadmap that provides a strategic direction to our ongoing community platform. In the roadmap, we have identified long-term programmes focusing on three main pillars - Welfare, Education and Health. For each programme, we have also set specific KPIs, which will be monitored yearly.

Material Matter

Community Contribution & Development

Key Initiatives

COVID-19 Contribution

- Donated food packs for affected families
- Contributed PPE, face masks and hand sanitisers to the Orang Asli, homes, schools, kindergartens, hospitals and orphanages, amongst others
- Distributed healthcare products such as Vitamin C to orphanages, schools and universities
- Provided cash and necessities to the needy
- Sponsored PCR screening for orphanages

Natural Disaster and Accident Relief

- Provided financial aid for flood victims
- Contributed food packs for affected families
- Contributed hygiene kits for flood victims

Education Contribution

- Donated school peripherals and amenities to underprivileged students

Festival Contribution

- Sponsored necessities for old folk homes & orphanages
- Donation to *asnaf* during Ramadhan to ensure less fortunate families got to celebrate Eid
- Donated *Bakul Keceriaan* and *Duit Raya* to orphanages

What We Achieved

- Total investment in community development in 2021:
  RM7 million in CR and RM24.1 million in *zakat* contribution (2020: RM8.8 million)

Donation Breakdown (%)	
Welfare	16.08
Health	5.26
Zakat	78.34
Education	0.31
Others	0.01

EMPLOYEE VOLUNTEERISM

We continue to utilise Skuad Operasi Sihat (SOS) in providing a platform for our employees to participate in community development programmes. SOS offers basic health screening to communities in rural and suburban areas nationwide, whilst raising awareness of communicable and non-communicable diseases, ultimately promoting better health.

2022 AND BEYOND

Despite the pandemic, Pharmaniaga has continued to build our sustainability platform, demonstrating a strong will and commitment to creating value for the people whose lives we touch in one way or another. One contributing factor is our Sustainability Roadmap which has clearly articulated our short, mid and long-term goals.

Going forward, we will continue to be guided by this Roadmap to further strengthen our sustainability performance. Amongst others, the Roadmap stipulates that sustainability will be integrated into our business strategies. Already, we are including certain aspects of our sustainability risks in our corporate risk register. In due course, all identified sustainability risks will be included, ensuring that key business decisions will consider and undertake to manage such risks.

Concerted efforts will be made to advance in these areas. Our eventual objective is to create an indelible culture of sustainability within Pharmaniaga; and with progress made to date, we believe we can realistically achieve this mission.

06 LEADERSHIP

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent Non-Executive Chairman

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

ZULKIFLI JAFAR
Group Executive Director

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

YB SENATOR DATUK DR. HAJI AZHAR AHMAD
Independent Non-Executive Director

DATO' DR. NAJMIL FAIZ MOHAMED ARIS
Independent Non-Executive Director

DR. ABDUL RAZAK AHMAD
Independent Non-Executive Director

IZADDEEN DAUD
Non-Independent Non-Executive Director

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Sarah Azreen Abdul Samat

MEMBERS
Dr. Abdul Razak Ahmad
Izaddeen Daud

NOMINATING AND REMUNERATION COMMITTEE

CHAIRMAN
Dr. Abdul Razak Ahmad

MEMBERS
Izaddeen Daud
Sarah Azreen Abdul Samat

SUSTAINABILITY COMMITTEE

CHAIRMAN
YB Senator Datuk Dr. Haji 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
Sarah Azreen Abdul Samat

BOARD TENDER COMMITTEE

CHAIRMAN*
–

MEMBERS
Dr. Abdul Razak Ahmad
Izaddeen Daud

** To be appointed at a later date. Zulkifli Jafar resigned on 1 March 2022 following his appointment as Group Executive Director*

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. No : +603-2141 9044
Fax. No : +603-2141 9750

BUSINESS ADDRESS

No. 7, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7, 40000 Shah Alam
Selangor Darul Ehsan
Tel. No : +603-3342 9999
Fax. No : +603-3341 7777
Website : www.pharmaniaga.com
Email : info@pharmaniaga.com

PRINCIPAL BANKERS

Affin Islamic Bank Berhad
Bank Muamalat Malaysia 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. No : +603-2783 9299
Fax. No : +603-2783 9222

BOARD AT A GLANCE

BOARD COMPOSITION

Non-Independent Non-Executive Chairman	1
Group Managing Director	1
Group Executive Director	1
Independent Non-Executive Director	4
Non-Independent Non-Executive Director	2

NATIONALITY

9
MALAYSIANS

BOARD TENURE

Below 2 years	9
2 years - 5 years	0
Above 5 years	0

GENDER

88.9%
MALE

11.1%
FEMALE

AGE

Age Group
52.8

4	50 years and below
4	51 years – 60 years
1	61 years and above

pharmaniaga®

LEADERSHIP

BOARD OF DIRECTORS

Standing from left to right

DATO' DR. NAJMIL FAIZ MOHAMED ARIS
Independent Non-Executive Director

YB SENATOR DATUK DR. HAJI AZHAR AHMAD
Independent Non-Executive Director

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

DR. ABDUL RAZAK AHMAD
Independent Non-Executive Director

IZADDEEN DAUD
Non-Independent Non-Executive Director

Seated from left to right

ZULKIFLI JAFAR
Group Executive Director

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent Non-Executive Chairman

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

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

PROFILE OF BOARD OF DIRECTORS

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent Non-Executive Chairman

Working Experience and Occupations
Datuk Seri Zainal Abidin brings over 40 years of experience in various industries, including oil and gas, hospitality, property, construction, business management and investment.

He pursued his tertiary education at Chelmsford College of Further Education, United Kingdom from 1976 to 1978, and continued his bachelor's degree in Building Economics and Measurement at University of Aston from 1978 to 1982. Upon graduation, Datuk Seri Zainal began his career as a Quantity Surveyor at the Ministry of Works Malaysia.

Datuk Seri Zainal Abidin then ventured into the property industry and served as a General Manager of Island & Peninsular Berhad, a Director of Perumahan Kinrara Berhad, and later as a Director of I&P Fletcher Binaan Sdn Bhd from 1984 to 1992. Subsequently, throughout the years, he has served as the Director of Zaq Construction Sdn Bhd, as Non-Executive Director of EPE Power Berhad and as a Non-Executive Director of Putera Capital Berhad.

With his extensive directorship experience, Datuk Seri Zainal Abidin is presently a Director of QI-pmc Sdn Bhd, Director of the Clock Tower Hotel Sdn Bhd and a Non-Executive Director of Boustead Petroleum Marketing Sdn Bhd. He is also an active Advisory Board Member of City Hall Kuala Lumpur.

Datuk Seri Zainal is also an ardent sportsman, and his passion for rugby has led him to hold various positions in rugby associations throughout the years. Amongst the posts he has held include Vice President of Malaysia Rugby, President of Keris Conlay Rugby Club and President of Kuala Lumpur Rugby Club. The two latter positions are respectively held from 2009 and 2018 until presently.

Date of last re-election
None

Board Committee(s)
None

Board Meetings attended in the financial year
None

Qualification(s)
- Bachelor (Honours) in Building Economics and Measurement, University of Aston
- Professional Associate of The Royal Institution of Chartered Surveyors, United Kingdom
- Fellow of The Royal Institution of Surveyors, Malaysia
- Registered Member of Board of Quantity Surveyors, Malaysia

Details of any interest in the securities of Pharmaniaga Berhad
None

Directorship in other public listed companies
None

Directorship in public companies
None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries
None

List of convictions for offences within the past 10 years other than traffic offences, if any
None

Nationality	Malaysian
Age	63
Gender	Male
Date of Appointment	1 February 2022

Nationality	Malaysian
Age	54
Gender	Male
Date of Appointment	1 September 2020

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

Working Experience
Datuk Zulkarnain has over 28 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 coalfire 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 later 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 took the helm of Pharmaniaga Berhad as Group Managing Director in 2020. He is also an Adjunct Professor at Universiti Malaysia Kelantan and currently serves as the Chairman of Universiti Malaysia Kelantan Business Ventures Sdn Bhd and Fellow of International Institute of Plantation Management.

Date of last re-election
16 June 2021

Board Committee(s)
None

Board Meetings attended in the financial year
9/9

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

Directorship in public companies
None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries
None

List of convictions for offences within the past 10 years other than traffic offences, if any
None

PROFILE OF BOARD OF DIRECTORS

ZULKIFLI JAFAR
Group 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 and corporations 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. In 2021, he was appointed as Chairman of Idaman Pharma Manufacturing Sdn Bhd, a subsidiary of Pharmaniaga.

On 1 March 2022, he was appointed as Executive Director of Pharmaniaga.

Date of last re-election

16 June 2021

Board Committee(s)*

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

Board Meetings attended in the financial year

9/9

Qualification(s)

- Admission to Malaysian Bar in 1996
- 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

Directorship in public companies

None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

List of convictions for offences within the past 10 years other than traffic offences, if any

None

* *Resigned as Chairman and Member of Board Committees on 1 March 2022*

Nationality	Malaysian
Age	49
Gender	Male
Date of Appointment	3 August 2020

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

Nationality	Malaysian
Age	59
Gender	Male
Date of Appointment	1 March 2021

Working Experience

Dato' Sri Mohammed Shazalli, also known in the industry as a 'brand guru' brings over 31 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.

Date of last re-election

16 June 2021

Board Committee(s)

None

Board Meetings attended in the financial year

7/7

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

Directorship in public companies

None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

List of convictions for offences within the past 10 years other than traffic offences, if any

None

PROFILE OF BOARD OF DIRECTORS

YB SENATOR DATUK DR. HAJI AZHAR AHMAD
Independent Non-Executive Director

Working Experience
YB Senator Datuk Dr. Haji 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, YB Senator Datuk Dr. Haji 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. YB Senator Datuk Dr. Haji 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.

Date of last re-election
16 June 2021

Board Committee(s)
- Chairman of Sustainability Committee

Board Meetings attended in the financial year
8/9

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

Directorship in public companies
None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries
None

List of convictions for offences within the past 10 years other than traffic offences, if any
None

Nationality	Malaysian
Age	59
Gender	Male
Date of Appointment	3 August 2020

Nationality	Malaysian
Age	42
Gender	Male
Date of Appointment	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 whilst 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.

Date of last re-election
16 June 2021

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

Board Meetings attended in the financial year
9/9

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

Directorship in public companies
None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries
None

List of convictions for offences within the past 10 years other than traffic offences, if any
None

PROFILE OF BOARD OF DIRECTORS

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 whilst 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.

Date of last re-election

16 June 2021

Board Committee(s)

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

Board Meetings attended in the financial year

9/9

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

Directorship in public companies

None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

List of convictions for offences within the past 10 years other than traffic offences, if any

None

Nationality	Malaysian
Age	49
Gender	Male
Date of Appointment	20 November 2020

Nationality	Malaysian
Age	53
Gender	Male
Date of Appointment	1 March 2021

IZADDEEN DAUD
Non-Independent Non-Executive Director

Working Experience

Izaddeen began his career at Ernst & Young as an auditor in 1993. 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.

Date of last re-election

16 June 2021

Board Committee(s)

- Member of Nominating and Remuneration Committee
- Member of Board Tender Committee
- Member of Audit Committee

Board Meetings attended in the financial year

7/7

Qualification(s)

- Certified Financial Planner, Financial Planning Association of Malaysia
- Fellow Member, 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 Plantations Berhad
- Olympia Industries Berhad

Directorship in public companies

None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

List of convictions for offences within the past 10 years other than traffic offences, if any

None

PROFILE OF BOARD OF DIRECTORS

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

Working Experience
Sarah has over 21 years of experience in corporate finance transactions involving equity issuance, mergers and acquisitions, corporate restructuring and corporate valuation. She began her career in investment banking with Malaysian International Merchant Bankers Berhad in 2001 after obtaining her professional qualifications from PricewaterhouseCoopers.

Later in her career, she joined other banking institutions in Malaysia such as AmInvestment Bank Berhad, Aseambankers Berhad (now known as Maybank Investment Bank Berhad) and RHB Investment Bank Berhad.

Presently, Sarah sits as Non-Independent Non-Executive Director of KPower Berhad (formerly known as Kumpulan Powernet Berhad) and is the Executive Director of 3p Capital Advisers Sdn. Bhd., a company licensed with the Securities Commission Malaysia that provides advisory services to the capital market players.

Date of last re-election
None

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

Board Meetings attended in the financial year
1/1

Qualification(s)
- Degree in Bachelor of Commerce (Accounting), University of Canberra, Australia
- Certified Practising Accountant, CPA Australia
- Capital Markets Services Representative's Licence (CMSRL)

Details of any interest in the securities of Pharmaniaga Berhad
None

Directorship in other public listed companies
KPower Berhad

Directorship in public companies
None

Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries
None

List of convictions for offences within the past 10 years other than traffic offences, if any
None

Nationality	**Malaysian**
Age	**46**
Gender	**Female**
Date of Appointment	**20 August 2021**

OUR APPRECIATION

ZAINAL ABIDIN SHARIFF
Independent Non-Executive Director
(Until 26 August 2021)

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.

SENIOR MANAGEMENT TEAM

1 DATUK ZULKARNAIN MD EUSOPE
Group Managing Director
As expressed on page 127 of the Profile of Directors

2 ZULKIFLI JAFAR
Group Executive Director
As expressed on page 128 of the Profile of Directors

3 MOHAMED IQBAL ABDUL RAHMAN
Group Deputy Managing Director

4 NORAI'NI MOHAMED ALI
Group Chief Financial Officer

5 MAZRI ABDUL RAHIM
Chief People Officer

6 DATIN SHAMSINAR HAJI SHAARI
Senior Technical Director

7 ABDUL MALIK MOHAMED
Logistics & Distribution Director

8 AHMAD ABU BAKAR
President Director
PT Millennium Pharmacon International Tbk

9 ZULHAZRI RAZALI
Commercial Director

10 ZAKARIA DAUD
President Director, PT Errita Pharma

11 IDA MARIANNA ABDUL RASHID
Strategic Planning Director

12 NORHANA NAWAWI SURI
Acting Regulatory Affairs Director

13 WAN INTAN IDURA WAN ISMAIL
Corporate Governance Director

14 YANG FAIRUZ ABDUL AZIZ
Corporate Services Director

15 LIM KEAN JOO
Head of Pristine Pharma Sdn Bhd

16 RAJA BADLI RAJA ABDULLAH
Head of Corporate Finance

PROFILE OF SENIOR MANAGEMENT TEAM

MOHAMED IQBAL ABDUL RAHMAN

Group Deputy Managing Director

Nationality	**Malaysian**
Age	**58**
Gender	**Male**
Date of Appointment to present position	**1 September 2020**

Working Experience:

Mohamed Iqbal joined Pharmaniaga in 2011 as Director of Information Technology before promoted to Chief Operating Officer in 2012. With more than 32 years of experience, mainly in System Improvement & Operations Management, he spearheaded the implementation of the Business Intelligence System and Robotic Process Automation, and played a vital role in the implementation of the Pharmacy Information System (PhIS) to over 1,200 Ministry of Health (MOH) facilities.

On 1 April 2020, he was appointed as Acting Managing Director and subsequently appointed as Deputy Managing Director on 1 September in the same year. He was also serving as Commissioner of PT. Millennium Pharmacon International Tbk. (MPI) between 2012 to 2021. During the pandemic, Mohamed Iqbal was responsible for leading a team to successfully implement fill and finish manufacturing of the Sinovac Covid-19 vaccine.

Prior to joining Pharmaniaga, Mohamed Iqbal was the General Manager - Head of Operations in Faber Medi-Serve Sdn Bhd, a provider of hospital support services. He was responsible for the company's overall operations whilst 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 MOH.

A Bachelor of Computer Science degree holder from University Putra Malaysia, Mohamed Iqbal is a strong believer in 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/or 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

NORAI'NI MOHAMED ALI

Group Chief Financial Officer

Nationality	**Malaysian**
Age	**55**
Gender	**Female**
Date of Appointment to present position	**1 June 2012**

Working Experience:

Norai'ni is Pharmaniaga's Group Chief FInancial Officer (CFO) and brings over 30 years of vast working experience in accounting and finance.

Her professional career with the Company spans more than 22 years. She is an accomplished talent who oversees all financial matters, including acquisition of strategic business, treasury, taxation, risk management strategies and formulation of financial policies and tax planning of Pharmaniaga.

Norai'ni joined the Company in 2001 as a Deputy General Manager of Finance. Subsequently, she was appointed as CFO in 2012 and presently 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 eight years. A Chartered Accountant of Malaysian Institute of Accountants (MIA), Norai'ni is also a member of the Association of Chartered Certified Accountants (ACCA).

Qualification(s):

- Association of Chartered Certified Accountants (ACCA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- 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/or 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

MAZRI ABDUL RAHIM

Chief People Officer

Nationality	**Malaysian**
Age	**54**
Gender	**Male**
Date of Appointment to present position	**1 November 2021**

Working Experience:

Mazri is an alumnus of the University of North Texas, USA with a BBA degree in Personnel and Industrial Relations in 1991. During his employment, he attended series of senior management and leadership development programmes in INSEAD, Singapore, and in IMD, Lausanne, Switzerland. He was also conferred a Certified Integrity Officer certification by the Malaysia Anti-Corruption Commission in 2020.

A seasoned Human Resources/Corporate Governance practitioner, Mazri has clocked around 30 years of corporate experiences, locally and internationally. Central to his success was his experiences gained through years of engagement with world-class MNCs such as in Philip Morris International, Kraft Foods International, and Friesland Campina along with renowned Malaysia public listed GLCs namely Celcom Axiata, FGV Holdings, and POS Malaysia.

Looking back, his vast corporate experience has helped him to provide tremendous insight and knowledge on human resources management strategy, including structural and organisational design, job design, competencies framework and skill gap analysis, talent management, learning and development, rewards management, and industrial/employee relations. Mazri has also assisted companies in making commitments towards improving the workplace culture.

Qualification(s):

- Bachelor of Business Administration in Personnel and Industrial Relations, University of North Texas, United States of America

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/or 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

DATIN SHAMSINAR HAJI SHAARI

Senior Technical Director

Nationality	**Malaysian**
Age	**68**
Gender	**Female**
Date of Appointment to present position	**1 April 2011**

Working Experience:

Datin Shamsinar was appointed as the Technical Director for Pharmaniaga in 2011. She has over 42 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)
- EXCO member of ISPE Malaysia
- 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/or 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

ABDUL MALIK MOHAMED

Logistics & Distribution Director

Nationality	**Malaysian**
Age	**57**
Gender	**Male**
Date of Appointment to present position	**1 April 2011**

Working Experience:

Highly motivated and experienced Logistics & Distribution Director with a demonstrated history of working experience in the automotive, logistic and healthcare industries. Well converse in End to End Supply Chain and highly skilled in Demand Planning, Order Fulfilment, Inventory Management, Data Analytics, Supply Chain Optimization, Supplier Management, Distribution Centre Operation Excellence, Contract Management, Vendor Development, IT System Development and Project Management as well as the Business Digitalisation.

Gained functional and leadership experience in different positions over 30 years in different span of operations, cultural change & transformation and a strong believer of self-sufficient teams' formation, strategic roadmaps development and agility in business process.

Joined Pharmaniaga in 2003 as Senior IT Manager, moved on as Supply Chain General Manager in 2008 and further promoted in 2011 as the Logistics & Distribution Director, Abdul Malik was fully entrusted to manage the division with primary care on the Ministry of Health concession business (APPL) together with other institution and private customers. Successfully leading the team with high performing culture, the revenue has grown to more than a billion-ringgit business.

Qualification(s):

- Strong professional with a Bachelor of Science 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

NORHANA NAWAWI SURI

Regulatory Affairs Acting Director

Nationality	**Malaysian**
Age	**51**
Gender	**Female**
Date of Appointment to present position	**1 December 2021**

Working Experience:

Norhana joined Pharmaniaga in 2015 as General Manager of Customer Care Department, Regulatory Affairs Division. On 1 December 2021 she was appointed as Acting Head of Division, Regulatory Affairs.

With over 26 years of experience in the pharmaceutical industry, she oversees the Regulatory Affairs, Clinical Affairs and Pharmacovigilance, Regulatory Compliance as well as Customer Care departments of Pharmaniaga.

Prior to joining Pharmaniaga, Norhana was a Regulatory & Pharmaceutical Affairs Manager (Malaysia and Brunei) at Servier Malaysia Sdn Bhd, specialising in regulatory, pharmacovigilance, pharmacoeconomies, policy and local manufacturing, as well as a Regulatory Affairs Manager (Malaysia, Singapore and Brunei) and a Medical Product Specialist at Boehringer Ingelheim Malaysia Sdn Bhd.

Qualification(s):

- Bachelor of Pharmacy with Honors (1989 – 1995), Universiti Sains Malaysia
- Certified Contact Centre Professional 2018, Western Kentucky University, USA
- Certified COPC Customer Experience Implementation Leader 2020, COPC Inc. USA

Membership(s):

- Contact Centre Association of Malaysia, Honorary Secretary
- Registered Pharmacist (RPh2368), Malaysian Pharmacy Board, 1997
- Malaysian Pharmacists Society (MPS), Member

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

ZULHAZRI RAZALI

Commercial Director

Nationality	**Malaysian**
Age	**55**
Gender	**Male**
Date of Appointment to present position	**1 June 2014**

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 local private and Government sectors. He provides extensive leadership by effectively communicating strategic goals and plans and drives operational efficiency profitability. Understanding the latest market scenarios and competition scale in the industry is the key area that he constantly shares with others for the benefit of the Company and group.

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

YANG FAIRUZ ABDUL AZIZ

Corporate Services Director

Nationality	**Malaysian**
Age	**49**
Gender	**Female**
Date of Appointment to present position	**1 September 2017**

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 & marketing, 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:
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

IDA MARIANNA ABDUL RASHID

Strategic Planning Director

Nationality	**Malaysian**
Age	**48**
Gender	**Female**
Date of Appointment to present position	**1 February 2018**

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.

Ida started her career as a Research Executive, with Nielsen Malaysia, a market research agency, before venturing into the oil & gas industry. During her tenure in PETRONAS for 8 years, she played multiple roles, which includes HR & Admin, development of refinery linear programming (LP) model and managing the overall business planning process for PETRONAS Downstream business.

Subsequently, Ida joined a US independent oil company, Hess Corporation (Hess) as a Senior Business Analyst for Southeast Asia, and later led the Asia Pacific exploration planning function. She later became Asia Pacific Global Negotiation and Commercial Advisor, and subsequently 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.

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

WAN INTAN IDURA WAN ISMAIL

Corporate Governance Director

Nationality	**Malaysian**
Age	**42**
Gender	**Female**
Date of Appointment to present position	**1 July 2021**

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 knowedge and was promoted as Deputy Director, Corporate Governance Division in 2017 and subsequently as Director on 1 July 2022. 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 16 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

ZAKARIA DAUD

President Director PT Errita Pharma

Nationality	**Malaysian**
Age	**60**
Gender	**Male**
Date of Appointment to present position	**1 January 2015**

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 35 years of experience in the field of manufacturing, 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

AHMAD ABU BAKAR

President Director
PT Millennium Pharmacon International Tbk

Nationality	**Malaysian**
Age	**52**
Gender	**Male**
Date of Appointment to present position	**16 July 2020**

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. Whilst 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 pre-registration pharmacist at Bradford Royal Infirmary and Lipha Pharmaceutical Ltd, United Kingdom.

He has more than 28 years of pharmaceutical experience and has worked in various fields of pharmacy; namely retail and wholesale pharmacy, manufacturing, private hospital, pharmaceuticals' logistics and distribution fieldand 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

RAJA BADLI RAJA ABDULLAH

Head of Corporate Finance

Nationality	**Malaysian**
Age	**58**
Gender	**Male**
Date of Appointment to present position	**1 October 2020**

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 31 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

LIM KEAN JOO

Head of Pristine Pharma Sdn Bhd

Nationality	**Malaysian**
Age	**59**
Gender	**Male**
Date of Appointment to present position	**19 April 2021**

Working Experience:

Lim Kean Joo joined Pharmaniaga in 2021 as General Manager, Pristine Pharma to grow of the Consumer Healthcare division. Prior to joining Pharmaniaga, he advanced his marketing career in various MNC companies in Malaysia and South East Asia. He was managing a mid-sized private Medical Centre, including the running of a few Haemodialysis Centres in his last position.

He brings with him more than 30 years of experience in Product and Category Management, New Product Developments, Brand Marketing, Trade Marketing and Channel Management.

Qualification(s):

- Bachelor of Arts (Econs) Honours, University 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

"Great men simplify great principles and make them easily intelligible to ordinary men"

Tunku Abdul Rahman

07 GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia))

The Board of Directors' (Board) believes that strong corporate governance practices enable Pharmaniaga Berhad (Pharmaniaga) and its subsidiaries (collectively, the Group) to operate more efficiently, effectively, mitigate risks and facilitate better oversight of the business, management and operations of the Group. A well-defined and well-structured corporate governance framework is in place to support the Board's aim of achieving long-term and sustainable value, as well as imbibing a culture that values ethical behaviour, integrity and respect to protect shareholders' and stakeholders' interests at all times.

The emergence of the novel coronavirus (COVID-19) pandemic presents the Board with a complex new reality and a challenge to ensure that the Group's corporate governance framework remains resilient and is able to adapt to the demands of a rapidly changing operating environment. To this end, the Board remains steadfast in meeting the challenges for transparency, participation and accountability.

This Corporate Governance Overview Statement sets out the principal features of Pharmaniaga and the Group's corporate governance approach, summary of corporate governance practices during the year under review, as well as key focus areas and future priorities in relation to corporate governance. 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 updated MCCG dated 28 April 2021 introduced a number of new practices and guidance to listed issuers with the aim of strengthening their corporate governance culture.

The Corporate Governance Report is available on the Group's website, www.pharmaniaga.com as well as via announcement made on the website of Bursa Malaysia. This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Integrated Report, namely Statement on Risk Management and Internal Control, Audit Committee Report and the Sustainability Report.

CORPORATE GOVERNANCE APPROACH

The 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 to 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 the MCCG for the financial year ended 31 December 2021 with the exception of:

Practice 5.9: 30% women Directors in the Boardroom;

Practice 7.1: Remuneration Policy for Directors and Senior Management;

Practice 8.2: Disclosure of the top five Senior Management personnel's remuneration on a named basis in bands of RM50,000; and

In line with the latitude accorded in the application mechanism of the 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 the MCCG are available in the Corporate Governance Report.

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

BOARD'S ROLES AND RESPONSIBILITIES

The Board's primary role is to determine Pharmaniaga's strategic objectives and policies to deliver sustainable value to its shareholders. In ensuring the protection and enhancement to shareholder value, it takes into account the interest of stakeholders, customers, suppliers, regulators, non-governmental organisations and the general public, amongst others. The Board is ultimately accountable for the performance of the Group, governs its affairs on behalf of the shareholders and retains full and effective control over it. To this end, the Board sets goals, policies and targets within a framework of prudent and effective controls which enables risk to be assessed and managed. Additionally, the Board ensures the necessary resources and capabilities are in place to deliver its strategic aims and objectives.

The following are the Board's principal roles and responsibilities in discharging its leadership function and fiduciary duties towards meeting the goals and objectives of the Group:

a) Reviewing and adopting a strategic plan

b) Monitoring the conduct of business

c) Reviewing the adequacy and integrity of information and internal control systems and identifying principal risks and implementation of appropriate internal controls and mitigation measures

d) Reviewing and adopting a strategic plan which supports long-term value creation and business sustainability

e) Succession planning

f) Ensuring effective communication with stakeholders

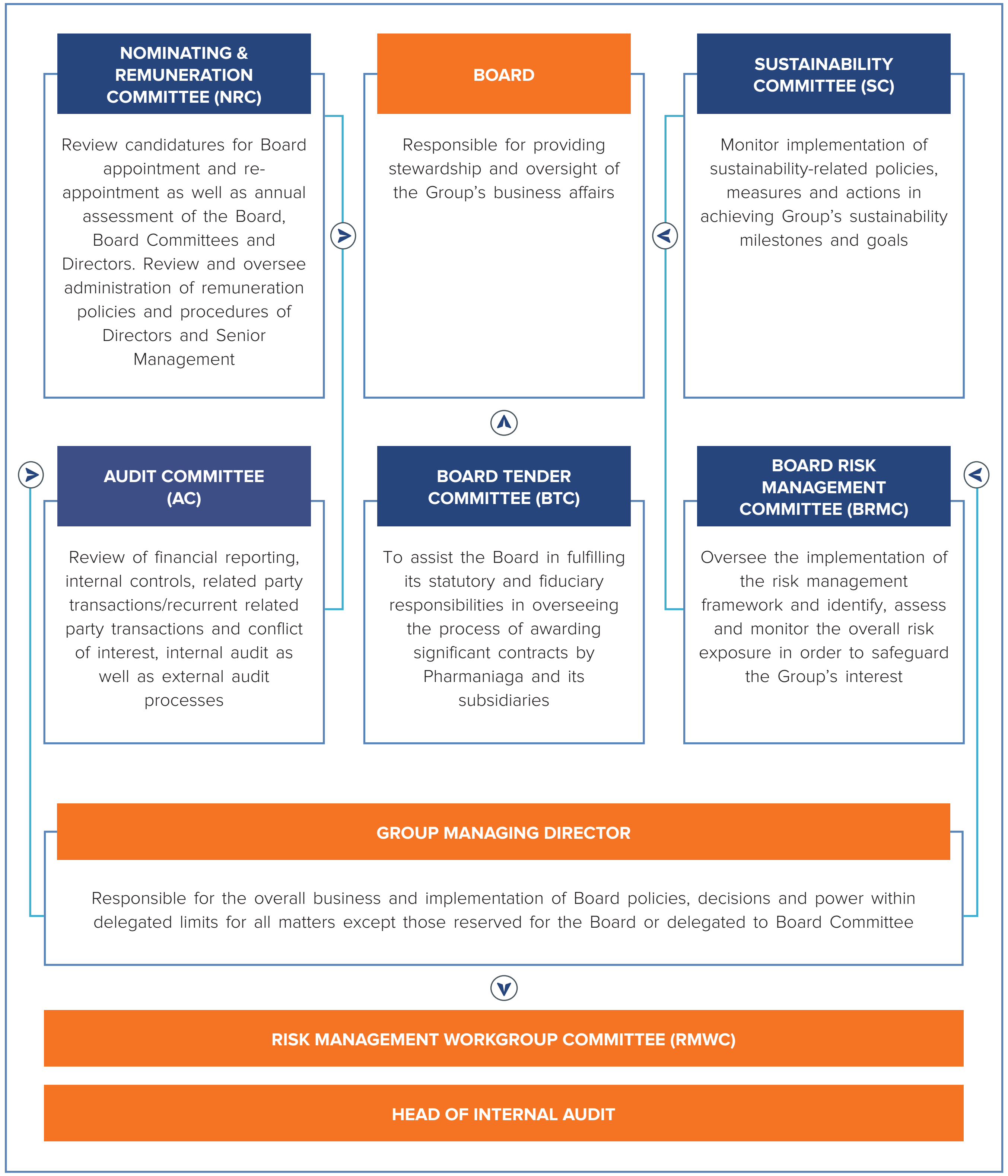
The roles and responsibilities of the Chairman and the Group Managing Director are separated by a clear division of responsibilities which are defined and approved by the Board in line with best practices to ensure the appropriate supervision of Management. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with a focused approach, facilitates efficiency and expedites informed decision-making. Whilst the Chairman provides leadership to the Board, the responsibility for the overall business and day-to-day management of Pharmaniaga is delegated to the Group Managing Director. The Group Managing Director is responsible for leading the Management and implementing operational decisions. The Group Managing Director has been delegated certain powers to execute transactions that are guided by rules and procedures and in accordance with the authority limits as defined and formalised.

In performing their duties, the Board is supported by two professionally qualified and competent joint Company Secretaries who, under the direction of the Chairman, are accountable for all matters with regard to the proper functioning of the Board as well as to facilitate effective information flows within the Board and Board Committees and between Senior Management and the Non-Executive Directors.

All Directors have access to the advice and services of the Management and Company Secretaries on matters relating to the Group and necessary compliance by the Group. The Directors, in their individual capacity or collectively, may seek independent professional advice in furtherance of their duties, whenever necessary and in appropriate circumstances at the Company's expense.

The joint Company Secretaries attend all meetings of the Board and Board Committees and advise the Directors on the requirements of the Company's Constitution and legislative promulgations such as the Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) MMLR of Bursa Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



COVID-19 RESPONSE PLAN

Since the onset of COVID-19 and in light of the Board's oversight responsibilities, the Board has been monitoring not only the impact of the pandemic on the global economy and the Group's financial performance, but also on the general health and welfare of the Group's employees. The Board has also worked closely with the Management to develop the COVID-19 response plan including the development of the Business Continuity Plan (BCP), continuous evaluation on the potential disruptions to operations and business relationships, sustaining an open dialogue with the Management on the business risks, workplace health, safety issues and re-assessing long-term corporate strategy.

GOVERNANCE FRAMEWORK

The Board discharges its responsibilities within a clearly defined governance framework and robust mechanisms in place. Through the framework, the Board delegates its governance responsibilities to the Committees of the Board and other Management Committees. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company and ensures that the Group adheres to high standards of ethical behaviour.

The table on the previous page illustrates the Group's governance structure and an overview of the key Board Committees and Management Committees:

As depicted in the table, the Board is assisted by five Board Committees in its oversight function with reference to specific responsibility areas. 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 serves as the primary source of reference on the governance together with roles and responsibilities of the Board, Board Committees and individual Directors. The Board Charter is available on the Group's website, www.pharmaniaga.com.

ATTENDANCE AT BOARD MEETINGS

In accordance with the Company's Constitution, the Board is required to meet at least four times a year. The dates of these scheduled meetings are determined well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to deliberate urgent matters. All Directors attended at least 75% of all Board meetings held during the financial year under review. Board meetings were held virtually during the MCO period to allow Directors to attend meetings in a safe and responsible manner. Members of the Senior Management were also invited to attend selected Board meetings to support the Board with further information on the matters being deliberated. The Board met on a regular basis throughout the financial year under review to assess the impact of the COVID-19 pandemic on the Company's operations. Meetings were held to examine and track the Company's actions to ensure the continued functioning of its operations whilst maintaining a safe working environment for its employees.

During the financial year under review, the Board deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, significant acquisitions, financial results as well as key performance indicators. Directors must immediately declare if they have any interest in transactions that are to be entered into directly or indirectly with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must also abstain from participating in the deliberation and Board decision on the matter as he/she is an interested party.

Board meetings are convened immediately following the finalisation of the Company's quarterly and annual results for the Board to review and approve prior to announcements to Bursa Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The attendance of individual Directors at Board and Board Committees meetings during the financial year ended 31 December 2021 is outlined below:

1 January 2021 – 31 July 2021

Directors	Board	AC	NRC	SC	BRMC
Group Managing Director					
Datuk Zulkarnain Md Eusope	7/7	–	–	–	–
Independent Non-Executive Chairman					
Datuk (Dr.) Hafsah Hashim[1]	2/2	–	–	–	–
Non-Independent Non-Executive Chairman					
Dato' Sri Mohammed Shazalli Ramly[2]	5/5	–	–	–	–
Independent Non-Executive Director					
Dato' Mohd Zahir Zahur Hussain[3]	3/3	2/2	3/3	–	2/2
Dato' Dr. Najmil Faiz Mohamed Aris	7/7	–	–	1/1	3/3
YB Senator Datuk Dr. Haji Azhar Ahmad	6/7	–	–	1/1	–
Zulkifli Jafar	7/7	3/3	3/3	–	3/3
Dr. Abdul Razak Ahmad	7/7	3/3	3/3	1/1	
Zainal Abidin Shariff[4]	4/4	1/1	1/1	–	1/1
Non-Independent Non-Executive Director					
Izaddeen Daud[5]	5/5	1/1	1/1	–	–

Notes:

[1] Independent Non-Executive Chairman until 26 February 2021
[2] Appointed as Non-Independent Non-Executive Chairman on 1 March 2021
[3] Board Member until 30 March 2021
[4] Appointed as Independent Non-Executive Director on 1 April 2021
[5] Appointed as Non-Independent Non-Executive Director on 1 March 2021

1 August 2021 – 31 December 2021

Directors	Board	AC	NRC	SC	BRMC
Group Managing Director					
Datuk Zulkarnain Md Eusope	2/2	–	–	–	–
Non-Independent Non-Executive Chairman					
Dato' Sri Mohammed Shazalli Ramly	2/2	–	–	–	–
Independent Non-Executive Director					
Dato' Dr. Najmil Faiz Mohamed Aris	2/2	–	–	2/2	2/2
YB Senator Datuk Dr. Haji Azhar Ahmad	2/2	–	–	2/2	–
Zulkifli Jafar	2/2	2/2	5/5	–	2/2
Dr. Abdul Razak Ahmad	2/2	2/2	5/5	2/2	–
Zainal Abidin Shariff[1]	1/1	1/1	3/3	–	1/1
Sarah Azreen Abdul Samat[2]	1/1	1/1	2/2	–	1/1
Non-Independent Non-Executive Director					
Izaddeen Daud	2/2	2/2	3/3	–	–

Board/Board Committee Chairman   Member

[1] Board Member until 26 August 2021
[2] Appointed as Independent Non-Executive Director on 20 August 2021

BOARD COMPOSITION

During the financial year under review, the Board saw changes to its composition. The Chairman of the Board, Datuk (Dr.) Hafsah Hashim resigned on 26 February 2021 and was replaced by Dato' Sri Mohammed Shazalli Ramly as Non-Independent Non-Executive Chairman on 1 March 2021. On 1 February 2022, Datuk Seri Zainal Abidin Mohd Rafique was appointed as the Company's Non-Independent Non-Executive Chairman replacing Dato' Sri Mohammed Shazalli Ramly who was redesignated as Non-Independent Non-Executive Director. Independent Non-Executive Director, Dato' Mohd Zahir Zahur Hussain also resigned from the Board on 30 March 2021. The Board welcomed three new Directors, namely, Izaddeen Daud as Non-Independent Non-Executive Director on 1 March 2021, Zainal Abidin Shariff as Independent Non-Executive Director on 1 April 2021 and Sarah Azreen Abdul Samat as Independent Non-Executive Director on 20 August 2021. Zainal Abidin Shariff ceased to be a Board member effective 26 August 2021. Following the new appointments and resignations, as of the date of this report, the Board has nine Directors, four of whom are Independent Non-Executive Directors. Presently, the Board has one female Director. The NRC and the Board fully recognise the need to re-balance the Board and have factored this in their succession planning. Nonetheless, whilst sufficient emphasis is placed on recruiting women Directors, appointments to the Board will be based on merits and credentials of each candidate under evaluation.

In accordance with the Company's Constitution, one-third of the Directors shall retire from office at every annual general meeting and all Directors shall retire at least once in every three years. If eligible, retiring Directors may offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointments.

The composition of the Independent Directors on the Board exceeds the MMLR of Bursa Malaysia's requirement that one-third of the Board is independent. 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 and collective mix of skills, qualifications, expertise, diversity to add value to Board processes and decisions. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

The oversight on the overall composition of the Board and Board Committees resides within the Nominating and Remuneration Committee (NRC). Appointments to the Board are made via a formal rigorous and transparent process. The NRC is guided by qualitative and quantitative criteria when assessing the suitability of Directors for nomination, such as qualifications, skills, experiences, professionalism, integrity and diversity. In the case of Independent Non-Executive Directors, the 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 that allowed for constructive deliberations and a robust decision-making process.

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

INDEPENDENCE OF THE BOARD

The Board recognises the importance and contributions of Independent Non-Executive Directors. They provide objectivity, impartiality and independent judgement to the Board and ensure check and balance. Their presence provides unbiased and independent views, advice and opinion to safeguard the interests of minority shareholders.

To date, all four Independent Non-Executive Directors satisfy the following criteria:

- independent from Management and any other relationship that could interfere with their independent judgement or the ability to act in the best interest of the Company;
- not involved in the day-to-day operations of the Company;
- declared their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARDROOM DIVERSITY

Diversity is important to ensure the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment. In this regard, the NRC is empowered to review and evaluate the composition and performance of the Board annually as well as assess qualified candidates to occupy Board positions.

The Board will take the necessary measures to ensure that in every possible event, boardroom diversity will be accounted for in the Board appointment as well as annual assessment.

The Company appreciates the benefits of having gender diversity in the boardroom as a mix-gendered Board would offer different viewpoints, ideas and market insights, which enables better problem solving to gain competitive advantage in serving an increasingly diverse customer base, compared with a boardroom dominated by one gender.

The Company also provides a suitable working environment that is free from harassment and discrimination in order to attract and retain women participation on the Board.

The Board further acknowledges the benefits of having diversity in the boardroom in terms of age demographics, which would create professional environments that are rich with experience and maturity as well as youthful exuberance. The Board does not set any specific target for boardroom diversity but will work towards having appropriate age diversity on the Board.

Whilst it is important to promote diversity, Directors are selected based on various factors, i.e. effective blend of competencies, skills, experience and knowledge on the industry or other identified areas in order to carry out effectively, the Board's functions and duties. The Board is committed to ensuring that its composition does not only reflect the diversity but will also have the right mix of skills and balance to contribute to the achievement of the Company's goals.

INDUCTION PROGRAMME

The Company Secretaries are tasked with facilitating the induction of newly appointed Directors in order to familiarise the new Directors with the business of the Group. The new Directors will receive a comprehensive onboarding programme, conducted by the Senior Management covering key areas of the business, an overview of the Group's financial risk management processes and operations of the Company, amongst others. Directors were also updated on ongoing potential projects undertaken by the Group.

Upon appointment, the Company will arrange for newly appointed members who are also inaugural directors of listed issuers to attend the Mandatory Accreditation Programme (MAP) as mandated by Paragraph 15.08 and Practice Note 5 of the MMLR of Bursa Malaysia.

REMUNERATION

The Board delegates to the NRC the responsibility to set the overarching principles, parameters and governance framework relating to the Group's remuneration matters. To attract and retain high calibre Directors and Senior Management in order to run the business successfully, Pharmaniaga aims to set remuneration at levels that are sufficient, taking into consideration all relevant factors including the function, workload and responsibilities involved. The Board acknowledges the importance of motivating 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 the Group Managing 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 2021 for the Group are as tabulated in the next page.

Directors	Fees		Salaries	Bonuses	EPF	Benefit in Kind	Other Allowances		Total	
	Company RM	Group RM	Company RM	Company RM	Company RM	Company RM	Company RM	Group RM	Company RM	Group RM
Group Managing Director										
Datuk Zulkarnain Md Eusope	–	12,000	940,000	16,383	158,458	7,200	90,000	92,000	1,212,041	1,226,041
Non-Executive Directors										
Datuk (Dr.) Hafsah Hashim[1]	27,321	27,321	–	–	–	4,100	3,000	4,500	34,421	35,921
Dato' Sri Mohammed Shazalli Ramly[2]	141,667	141,667	–	–	–	–	6,000	12,000	147,667	153,667
Dato' Mohd Zahir Zahur Hussain[3]	31,500	43,500	–	–	–	–	8,500	13,000	40,000	56,500
Dato' Dr. Najmil Faiz Mohamed Aris	98,000	128,000	–	–	–	55,000	19,500	35,250	172,500	218,250
YB Senator Datuk Dr. Azhar Ahmad	95,000	143,000	–	–	–	55,000	12,500	24,500	162,500	222,500
Zulkifli Jafar	121,000	121,000	–	–	–	–	23,500	29,500	144,500	150,500
Dr. Abdul Razak Ahmad	119,923	149,923	–	–	–	–	30,000	39,000	149,923	188,923
Izaddeen Daud[2]	92,159	92,159	–	–	–	–	7,000	7,000	99,159	99,159
Zainal Abidin Shariff[4]	52,000	61,500	–	–	–	–	14,000	19,000	66,000	80,500
Sarah Azreen Abdul Samat[5]	45,097	54,013	–	–	–	–	5,500	7,000	50,597	61,013
Total	**823,667**	**974,083**	**940,000**	**16,383**	**158,458**	**121,300**	**219,500**	**282,750**	**2,279,308**	**2,492,974**

Notes:

[1] Board Member until 26 February 2021
[2] Appointed as Board Member on 1 March 2021
[3] Board Member until 30 March 2021
[4] Board Member until 26 August 2021
[5] Appointed as Board Member on 20 August 2021

BOARD CONDUCT

The Board commits itself to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. All Board members discharge their fiduciary duties and responsibilities at all times in the best interest of the Company. They act with integrity, lead by example and keep abreast of their responsibilities as Directors for the business and development of the Company.

In directing or managing the Company's affairs and business, the Board exercises reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

MATTERS RESERVED FOR THE BOARD

The matters reserved for the Board, amongst others, are set out below:

a. Review, approve and adopt the Company's strategic plans and annual budgets
b. Declaration of dividends
c. Approval of annual financial statements, accounts and quarterly reports
d. Acquisitions, divestments or closure of business
e. Establishment of new substantial businesses
f. Corporate exercises
g. Capital investment and disposal of material assets

CORPORATE GOVERNANCE OVERVIEW STATEMENT

OUR SUSTAINABILITY COMMITMENT

The Board is responsible for formulating ongoing programmes to promote sustainability where attention is paid to environment, social and governance (ESG) aspects of business which underpins sustainability.

To support the Group's long-term strategy and success, the Board and Management emphasise strategic management of material sustainability risks and opportunities, which includes integration of ESG factors in their decision-making process and in the Group's operations. The Board considers ESG factors as a component of the Board's fiduciary responsibility and accountable therefore to the oversight and management accountability.

The Board has appointed a senior personnel within Management who is tasked with managing the Company's sustainability governance and integrating sustainability considerations in our operations.

In line with the recommendation of the MCCG, the Board will take into account the Company's performance in managing material sustainability risks and opportunities when determining the appropriate level of remuneration for Directors and Senior Management.

Our Sustainability Report for 2021 articulates our commitment to improving the Group's sustainability practices so that we are more competitive, more resilient and adaptable to change which has been reinforced amid the unprecedented challenges of COVID-19. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability issues.

AUDIT COMMITTEE

The Audit Committee (AC) was established by the Board to provide independent oversight on the Company's internal and external audit functions, financial reporting processes including the quality of its financial reporting, the internal control systems and to ensure checks and balances within the Company.

The AC is chaired by an Independent Director who is not the Chairman of the Board. All members of the AC have the relevant accounting or related financial management experience or expertise. The Chairman of the AC is a Certified Practising Accountant of CPA Australia whereas, one of the AC members is a member of the Institute of Public Accountant, Australia, recognised under the MMLR of Bursa Malaysia.

The members of the AC are equipped with vast experience from various industries and are capable of providing sound advice to the Board not only in terms of financial reporting but also on internal audit and the state of the Company's risk and internal control environment. 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 Terms of Reference of the AC are available on the Company's corporate website.

The role of the AC and the number of meetings held during the financial year under review as well as the attendance record of each member are set out in the AC Report of the Integrated Report.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee (BRMC) consists exclusively of the Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The composition of the BRMC, its duties and responsibilities are set out in the Corporate Governance Report. The BRMC oversees the adequacy of risk management within the Group. It also assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively 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.

Financial Reporting

The Board is committed to provide a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Integrated Reports and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement of Director's Responsibility for Preparation of Financial Statements is set out on page 175.

Risk Management and Internal Control

The Board reviews the risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and assets of the Company.

Further information on the Group's risk management and internal control framework is set out in the Statement on Risk Management and Internal Control of the Integrated Report on pages 162 to 170.

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

Regular communication and engagement between stakeholders and the Company are critical for the sustainable growth of our business as this gives stakeholders a much better insight of the Company and facilitates mutual understanding of each other's expectations. We have therefore consistently maintained a two-way communication and an open dialogue with relevant stakeholder groups such as regulatory agencies, employees, shareholders, investors, consumers and the general public, non-governmental associations, industry and trade associations and suppliers. Their views and concerns on the Company's business, its policies on governance, the environment and social responsibility are given due consideration in our decision-making process.

Our annual investor relations engagement programme ordinarily includes one to one meetings, plants or site visits, analysts' briefings, the Annual General Meeting as well as participation in conferences and roadshows. Due to the unexpected COVID-19 containment measures in 2020, we were able to carry on some activities virtually through available interactive online platforms. For instance, the AGM for 2020 was conducted virtually, using Remote Participation Voting (RPV) platform. During the year, the MD, Chief Financial Officer and other members of Senior Management have also hosted the Company's analyst briefing for our financial results, during which participants were updated on our operational, commercial and financial performance. In addition, they were briefed on the progress of our growth projects & plans, COVID-19 impact and business continuity measures as well as the Group's sustainability pillars.

The Group is fully committed to maintaining 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 Integrated 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. Communication and feedback from stakeholders can be directed to the key contact person of the Company as follows:

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

GROUP CORPORATE WEBSITE

The Group's corporate website www.pharmaniaga.com provides comprehensive and easy access to the latest information on the corporate and business aspect of the Group. Corporate profile, individual profiles of Directors and Senior Management, financial results, Integrated Report and corporate news, amongst others can be found in our corporate website. Additionally, information on press releases, announcements to Bursa Malaysia, media conferences post AGM, analyst briefings and quarterly results of the Group are also made available on the website and this serves to promote accessibility of information to the Company's shareholders and all other market participants.

CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important two-way 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In light of the COVID-19 pandemic conditions, the AGM was convened on 16 June 2021 fully virtually which is in line with the Securities Commission Guidance Note on the Conduct of General Meetings for Listed Issuers to ensure companies can continue to fulfil their obligation under the law and shareholders during this pandemic. Pharmaniaga has also accelerated its initiative to implement remote shareholders' participation and online remote voting at the 23rd AGM by leveraging on technology in accordance with Section 327(1) and (2) of the Companies Act 2016.

The 23rd AGM was attended by shareholders, through live streaming via the Remote Participation and Voting (RPV) facilities provided by the Group's share registrar i.e. Tricor Investor & Issuing House Services Sdn Bhd as Independent Scrutineer for conduct of poll via e-Vote application. Shareholders who participated 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 24th AGM of the Company.

NOTICE OF 24TH ANNUAL GENERAL MEETING

AGM will be held online at **https://tiih.online**
Date : 13 June 2022 (Monday)
Time : 9.30 a.m.
Venue : Royale Chulan Damansara

There was active engagement between the Board and shareholders and there was opportunity for shareholders to have real-time interaction with the Board and Group Managing Director. Answers to the questions by the Minority Shareholder Watchdog Group prior to the AGM were also shared with the shareholders and the same were uploaded onto the website prior to the AGM day.

The minutes of the AGM detailing the meeting's proceedings including issues or concerns raised by shareholders and a summary of the key matters discussed are accessible to the public on the Company's corporate website.

INTEGRITY AND ETHICS

The Board is committed to a corporate culture that encompasses and embraces ethical conduct within the Group by adopting numerous policies which serve to achieve this commitment.

Code of Ethics and Conduct

Pharmaniaga Code of Ethics and Conduct (the Code) is to provide clear guidelines on permissible or non-permissible conduct in the business practices of the Company. The Code is implemented to ensure that all employees and its representatives comply with the same standards. It shall also serve as guidelines when making judgment calls on work ethics, including in bridging and fostering close relations between the Company and its customers. The business code of conduct (Board Charter) for the Board is subject to the statutory duties of directors under various legislative enactments, and as stipulated under the Companies Act, Listing Requirements of Bursa Malaysia and Securities Commission Act. The Code applies to all the Company's employees and representatives including agents, consultants, contractors and suppliers for the Company.

The Code expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the Group.

Anti-Bribery and Corruption Policy

With the adoption of the Anti-Bribery and Corruption Policy (ABC) policy, Pharmaniaga also practices a zero tolerance policy against all forms of bribery and corruption. The ABC policy elaborates upon those principles and provides guidance to employees on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of conducting business. The ABC policy is also applicable to all employees, directors, contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of the Company.

Whistleblowing Policy

The Company has established its Whistleblowing Policy which provides an avenue for the Group's employees and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy. The policy and procedures are accessible to the public on the Company's corporate website at www.pharmaniaga.com. To lodge a report for any improper conduct, please email alert@pharmaniaga.com.

Trading on Insider Information

The Board and Principal Officers of the Group are prohibited from trading in securities based on price sensitive information and knowledge acquired by virtue of their positions, which has not been publicly announced. Notices on the closed period for trading in Pharmaniaga's shares are sent to the Directors and Principal Officers on a quarterly basis as a reminder to trade during the identified timeframe.

None of the Directors and Principal Officers breached the above ruling during the financial under review.

PROFESSIONAL DEVELOPMENT OF DIRECTORS

In line with Paragraph 15.08 of the MMLR, the Directors acknowledged the importance and value of attending conferences, training, programmes and seminars in order to keep themselves abreast of the development and changes in the industry, as well as to update themselves on new statutory and regulatory requirements.

During the financial year under review, 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 attended 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 financial year under review are outlined below:

Name	Programme Title & Organiser	Date
Non-Independent Non-Executive Chairman **Dato' Sri Mohammed Shazalli Ramly** *(Appointed on 1 March 2021)*	Webinar on CoronaVac COVID-19 Vaccine: Updates and Highlights by Pharmaniaga	1 February 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
Independent Non-Executive Chairman **Datuk (Dr.) Hafsah Hashim** *(Board Member until 26 February 2021)*	–	–
Group Managing Director **Datuk Zulkarnain Md Eusope**	Common Pitfalls in Transaction & RPT Rules by CKM Advisory Sdn Bhd	24 – 25 May 2021
	Understanding Board Decision-Making Process by ASIA School of Business	15 -16 June 2021
	Dawn Raid-Since Section17A MACC Act Has Come into Force, Don't Be Caught Unprepared by ASIA School of Business	30 June – 1 July 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
Independent Non-Executive Director **Dato' Mohd Zahir Zahur Hussain** *(Board Member until 30 March 2021)*	–	–
YB Senator Datuk Dr. Haji Azhar Ahmad	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
	The Updated Malaysian Code on Corporate Governance (MCCG) by Minority Shareholders Watch Group (MSWG)	8 December 2021
Dato' Dr. Najmil Faiz Mohamed Aris	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
	The Updated Malaysian Code on Corporate Governance (MCCG) by Minority Shareholders Watch Group (MSWG)	8 December 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme Title & Organiser	Date
Zulkifli Jafar	Provision for Financial Assistance & RPT by CKM Advisory	3 – 4 March 2021
	Share Buy-back – A Regulatory Perspective by CKM Advisory	18 March 2021
	Securities Commission (Sc) Guidelines on Conduct of Directors and Implications to Both Directors and Management by Malaysian Investors Relation Association	23 September 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
	Board Transformational & Future Governance Roundtable 2021 by Asian World Centre	29 – 30 November 2021
Dr. Abdul Razak Ahmad	Provision for Financial Assistance & RPT by CKM Advisory	3 – 4 March 2021
	Share Buy-back – A Regulatory Perspective by CKM Advisory	18 March 2021
	Mandatory Accreditation Program for Directors of Public Listed Companies by ASIA School of Business	28 – 30 June 2021
	Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness by ASIA School of Business	29 – 30 July 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
Zainal Abidin Shariff *(Board Member until 26 August 2021)*	–	–
Sarah Azreen Abdul Samat *(Appointed on 20 August 2021)*	SSM National Conference: Governing Under New Normal by Suruhanjaya Syarikat Malaysia	24 August 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021
Non-Independent Non-Executive Director **Izaddeen Daud** *(Appointed on 1 March 2021)*	Audit Committee Conference 2021 by MIA & The Institute of Internal Auditors Malaysia	15 – 16 March 2021
	Dawn Raid-Since Section 17A MACC Act Has Come into Force, Don't Be Caught Unprepared by ASIA School of Business	30 June – 1 July 2021
	Related Party Transaction Simplified by CKM Advisory Sdn Bhd	28 October 2021

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.

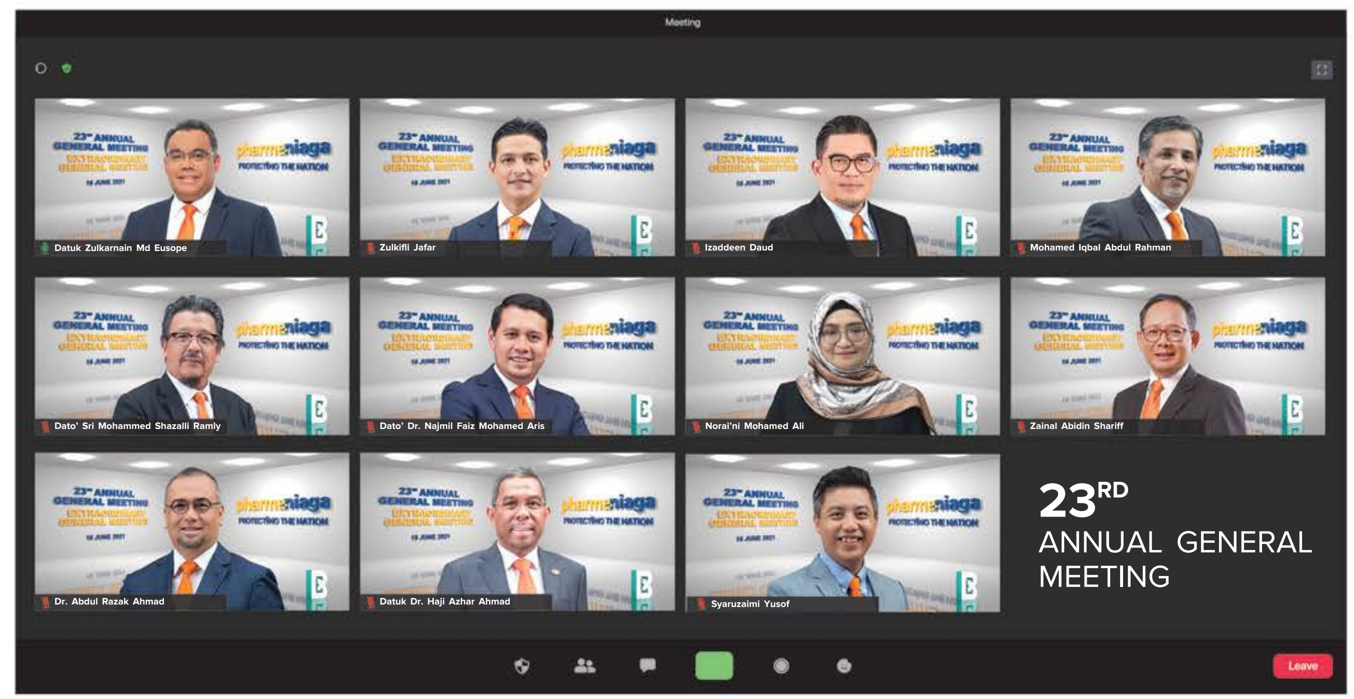
SUSTAINABILITY REPORT 2021

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

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Board is pleased to provide the Statement on Risk Management and Internal Control for the financial year ended 31 December 2021 which was prepared in accordance with Practice 10.1 and 10.2 of the Malaysian Code on Corporate Governance (MCCG) and the Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

RESPONSIBILITIES AND ACCOUNTABILITIES

BOARD ACCOUNTABILITY

The Company recognises that effective risk management and a sound internal control are fundamental to good corporate governance. The objective of risk management is to create and protect value for the Group through improving performance and supporting the achievement of objectives. The Board acknowledges its overall responsibility and is committed to maintain a sound internal control system and a robust risk management practice with the objective of safeguarding shareholders' investment and the Group's assets. It further affirms its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems.

The Board recognises that the system of risk management and internal control are designed to manage and mitigate risks rather than eliminate risks which may hinder the achievement of the Group's objectives and would therefore provide a reasonable and not absolute assurances against any material misstatements or losses.

In acknowledging that having a sound risk management and internal control system is crucial, the Board has established a governance structure that ensures effective oversight of risks and internal controls within the Group. The Board is assisted by the Board Risk Management Committee (BRMC) to oversee the governance of risks and ensure there is an effective infrastructure in place (policies, frameworks, processes, resources and systems) to manage risk and conduct Management activities in identifying, assessing, controlling and monitoring risks. The Board is also assisted by the Audit Committee (AC) to provide independent oversight of the Group's financial reporting and internal control systems that facilitate appropriate checks and balance within the Group. The BRMC reports to the Board on a quarterly basis as part of its monitoring activity to ensure key risks are deliberated and mitigating actions are implemented.

During the financial year under review, four (4) BRMC meetings were held for the purpose of overseeing the Group's risks particularly on the adequacy and the effectiveness of risk management processes. The BRMC reviewed and assessed the controls and actions in place to manage and mitigate the overall Group's risk exposure, as well as raised issues of concerns and recommended mitigating actions.

MANAGEMENT RESPONSIBILITY

The Group has established an appropriate risk management infrastructure which is tailored to the specific circumstances of the Group and guided by Enterprise Risk Management Policy and 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.

In Pharmaniaga, risk management is integrated into our business planning, investment decisions, internal control and day-to-day operations to enhance ownership and agility in managing risks.

The responsibility for day-to-day risk management resides with the Management of each function/business unit where they are the risk owners and are accountable for managing and assessing the risks identified.

Management is accountable to the Board to ensure effective implementation of risk management and internal controls. The Management formulates and endorses the risk management policy, frameworks and guidelines including their implementation across the Group. The risks are reviewed and additional courses of action are recommended and implemented to mitigate the identified risks. The Management also assigns accountabilities and responsibilities at appropriate levels within the Group to ensure that all the necessary resources are efficiently allocated to manage risks.

The overall responsibility of the Management is to assist the Board in implementing the Group's policies, framework and procedures on risk and control by:

- Identifying, assessing, monitoring and reporting on risks and internal control, as well as taking proper actions where necessary, in order to mitigate or minimise the risks relevant to the businesses of the Group and to ensure the achievement of its objectives and goals.
- Continuously review the changes in the market environment, be it economic, environmental, political or social, and any emerging risks that could affect the Group and its businesses.
- Implementing remedial actions to address deficiencies in risk management and internal control that were identified and tracked for closure. Thereafter, the actions and outcome are reported to the Board for deliberation.
- Formulating and reviewing relevant policies and procedures to manage risks in accordance with the Group's strategic goals.
- Reporting to the Board in a timely manner on any changes in risks or emerging risks and the corresponding corrective actions taken.

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 fully aware of their internal control's responsibilities at all times. 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 regarded by the Board as an important aspect of the Group's diverse and growing operations with the objective of maintaining a sound internal control system. Risk management practices are considered as an integral part of the Group's day-to-day operations to facilitate the Group in achieving its objectives as well as to maximise its shareholders' 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. The RMWC is headed by the 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**

  Risk governance provides a formalised and transparent structure that promotes involvement from the Board and Management in the risk management process to ensure a uniformed view of risks across the Group. 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 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 relevant 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 businesses and exploration of new business opportunities to reduce reliance on the concession business;
     - Monitor the results of key performance indicators; and
     - Ensure good corporate governance practices.

  iii. The Internal Audit function is responsible for monitoring of the responsibilities of the Management and reporting to the Board on 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 causes 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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management. Action plans to mitigate and manage risks will be included in the Risk Register to ensure clear commitments and responsibilities are agreed at all levels in the organisation.

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

Consistent with the Group's commitment to manage risks 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 under review, 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 2021, 21 May 2021, 20 August 2021 and 19 November 2021. 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 impact of the pandemic is still unfolding both locally and globally with the spread of COVID-19 nationwide in 2021 presenting unprecedented challenges to the Group. During this challenging period, the Group focused its recovery efforts into three main areas, namely employee's health and safety, communication and information updates as well as ensuring smooth business resumption. The Group has been committed in supporting the National Immunisation Programme (NIP) and other activities involving the procurement and delivery of vaccines during the critical phases of the national health crisis from the year 2020 to date. This initiative and proactive action taken by the Group has led to the sales of more than 20 million doses of vaccines nationwide. The Group remains vigilant in this initiative and ready stock of the vaccines are available to accommodate the current and future needs accordingly. Concurrently, the Group is actively working on exporting current vaccine stocks to countries with low vaccination rates in the effort to hasten the rate and goal in reaching global immunisation for COVID-19. The Group has also established a special COVID-19 task force and crisis action plans to ensure preventive and precautionary measures are implemented in tandem with the relevant authority's guidelines.

The Group also exercises flexibility by providing work from home arrangement for employees to mitigate the spread of COVID-19 at the workplace. With the continuity of *Do It Right Always* (DIRA) awareness campaign, necessary information, updates and guidelines regarding the pandemic are disseminated and communicated to employees to keep them abreast of the situation. With several variants of concern revealed in 2021, the Management remains alert and vigilant of the pandemic.

Meanwhile, with increase in usage of online and digital platforms for service delivery and communications, the Group recognises the need for an effective cybersecurity framework and effective practices that are both technologically innovative and resilient to cyber threats. The Group has implemented adequate measures to address ever-evolving cybersecurity threats, and towards ensuring integrity and availability of services as well as customer and business data protection. The Group continues to enhance its information technology and resiliency capabilities by putting in place further cybersecurity controls.

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 in order to enhance shareholders' value. Where necessary and feasible, additional controls will be promulgated for implementation.

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

AUDIT COMMITTEE

The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's system of internal control to the Audit Committee (AC). The 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 assumes the overall duties of reviewing with the external auditors their audit plan, audit report as well as their findings and recommendations pursuant to the year-end audit. The AC also evaluates the adequacy and effectiveness of the Group's internal control systems through reviews of internal control issues identified by internal auditors and the Management. The AC is also responsible for determining that all major issues reported by the internal auditors, the external auditors and other external advisors have been satisfactorily resolved by the Management. Finally, the BRMC 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 BRMC 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 audits based on the plan approved by the AC annually. GIA adopts a risk-based methodology in planning and conducting audits 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 with 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 reviews, 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 organisational 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 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 over 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 minimising cost, 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 these divisions will continue to monitor and refine the protocols and systems to ensure total conformity to applicable legislations.

- **Written policies and procedures on the limits of delegated authority**

  The Group has put in place a Limits of Authority (LOA) which defines the appropriate approving authority and decision-making limits to govern and manage business decision process. The LOA sets out a clear line of accountability and responsibility which serves as a reference in identifying the approving authority for various transactions including matters that are approved by the Board.

  During the financial year under review, the LOA was reviewed to ensure that they continue to be relevant and effective. The revised LOA has been distributed to the respective levels of Management.

- **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 of the policies and procedures.

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

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

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

At the same time, the Anti-Bribery Management Systems certification demonstrates that the Group upholds 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 pharmaceutical and healthcare industry. Compliance audits are regularly conducted by various independent bodies for the various certifications and licences obtained from SIRIM, the National Pharmaceutical Regulatory Agency, JAKIM and evaluation committees of numerous multinational companies.

Any major findings arising from these independent audits will be reported to the Board, either directly or through BRMC.

- **Code of Ethics and Conduct**

  The Management and the Board set the tone at the top for corporate behaviour and corporate governance. The Group has in place a Code of Ethics and Conduct as a guidance on the standards of behaviour expected from everyone in the Group as well as our business partners. 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 aforementioned policies.

- **Strategic Business Planning, Budgeting and Reporting**

  The Board plays an active role in strategic planning sessions held with the Management to discuss and review the plans, strategies, performance and risks faced by the Group. Strategic concerns are deliberated. Strategies and action plans are then reviewed and mandates are 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 2022 and the Five-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 19 November 2021. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised where necessary 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 Plan and Five-Year Business Plan.

  Business plans, budgets and KPIs are aligned to the Group's Five-Year Strategic Plan in order to guide the Group in achieving its vision of becoming the preferred brand in healthcare amongst 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 shareholders and stakeholders on a timely basis. Quarterly results are reviewed and approved by the Board prior to announcement.

  The integrated 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 reviews, 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 adequate 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 consideration of the allocated budget. The planning exercise enables the Management to determine and to identify present and prospective needs of human capital resources 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 comprises 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 increase efficiency and ensure the effectiveness of the system of internal controls are embedded in the process of awarding tenders.

- **Insurance**

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

- **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**

  In 2021, the global economic situation remains subdued due to the prolonged pandemic uncertainty, though the situation has improved in the second half of the year following progressive rollout of vaccines. Whilst the Group's 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 is in compliance with the regulations and rules imposed by the authorities during the movement control period. The Group through the Special COVID-19 Task Force, which was set up in 2020 continuously monitored and assessed the pandemic situation and undertake necessary action to protect the wellbeing of its employees, contractors and suppliers.

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The Group's Special COVID-19 Task Force comprises employees from inter departments coordinated by Quality and Safety, Human Capital Management and Administrative departments to manage the potential risks, addressing the safety of personnel and ensuring the continuity of the organisation. The action plans are derived in tandem with the Government's Standard Operating Procedures (SOPs), policies and definition of categories defined in regards to the COVID-19 pandemic. The task force is entrusted to facilitate the Group's efforts in managing COVID-19 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 employees, contractors and suppliers.

The Special COVID-19 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 have been taken, which includes:

- Mandatory COVID-19 health screening for employees and visitors;
- Active sanitisation activities and daily temperature readings;
- COVID-19 swab tests for employees;
- Implementing alternative work from home arrangements, as and when necessary;
- Rescheduling of group events and trainings;
- Awareness activities on the SOPs and current progression of the pandemic;
- Inoculation of COVID-19 vaccine for all employees to increase immunity and protect against COVID-19 severe illness, and
- Counselling programmes and sessions for employees affected by COVID-19.

In light and anticipation of new and future COVID-19 variants, the Group will remain steadfast and vigilant in the enhancement and implementation of the crisis action plans with the combined effort of all the departments involved in the Special COVID-19 Task Force. These situations are closely monitored from time to time and the Group remains cautious in managing the pandemic by continuously identifying, prioritising, and responding to threats and uncertainties that impact employee safety, business operations and supply chain.

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 and 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 adopted 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 at all levels.

- **Internal Audit Function**

  The Internal Audit function provides an independent, objective assurance on the areas of operations reviewed and advises 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 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. 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* (DIR) work culture. Ever since the campaign was embarked in 2015, it vows to inculcate a quality culture, encouraging all employees to take ownership of quality outcomes and always doing things right. The campaign is continued with *Do It Right Always* (DIRA). 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 words, prevention is better than cure.

The DIRA campaign has since been adopted as a common working culture throughout the Group, embraced by the employees through various activities consistently carried out since its inception in 2015. As the COVID-19 pandemic wears on, the activities were forced to be virtually held, hence fostering collaboration and reinforcing the Group's values amongst employees. Amongst the activities in 2021 are:

i. Compliance and motivational messages such as COVID-19 preventive measures and safety and inspirational quotes that were routinely communicated to all employees via emails and audio announcements;

ii. *Do It Righ*t awareness such as briefings, trainings and induction programmes to enhance the knowledge on internal control amongst employees;

iii. Recognition award for employees to strengthen relationships and create bonding amongst employees in the Company and to inculcate ownership in achieving quality culture;

iv. Healthy Living Programme to promote physical and mental health amongst employees;

v. Employee engagement through outdoor and indoor activities such as gathering, collaboration with internal parties and monthly D-Quiz;

vi. Establishment of DIR Module as a reference guide for other organisations to implement the *Do It Right* campaign; and

vii. Development of DIR Key Performance Indicator (KPI) embedding DIR values aims to measure the soft skills of the employees whilst assessing the effectiveness of DIR implementation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

All audit findings, recommendations and management actions are rigorously deliberated upon at BRMC meetings before being reported to the Board. Quarterly reports to the BRMC 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.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 17 February 2022. 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. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this statement is inconsistent with their understanding of the processes the Group had adopted in the review of the adequacy and integrity of the risk management and internal control system of the Group.

This Statement has been approved by the Board of Directors on 17 February 2022.

AUDIT COMMITTEE REPORT

The Board of Directors (the Board) is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2021.

The main objective of the Audit Committee is to assist the Board in ensuring effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditors and the oversight of the Group's systems of internal control and related compliance activities.

The Audit Committee continued to play a key role in assisting the Board to fulfil its 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.

COMPOSITION AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Audit Committee during the year comprised exclusively of four Non-Executive Directors, three of whom including the Chairman are Independent Directors. All members of the Audit Committee are financially literate, possess an appropriate level of expertise and experience as well as a broad and diverse spread of commercial experience. Such consideration provides the Board with assurance that the Audit Committee has the correct skills, breadth and depth to ensure that it can be fully effective.

The Audit Committee is chaired by Sarah Azreen Abdul Samat who was appointed on 30 August 2021 replacing Encik Zainal Abidin Shariff who ceased to be the Chairman of the Audit Committee following his resignation on 26 August 2021.

The composition of the Audit Committee is in line with Paragraph 15.09 and 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and Practice 9.1 under Principle B of the Malaysian Code on Corporate Governance (MCCG), in which;

- All members are Non-Executive Directors majority of whom are Independent Directors;
- No alternate director is appointed as a member;
- The Chairman of the Audit Committee is a Certified Practicing Accountant of CPA Australia;
- 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 auditors.

The Audit Committee has a policy that requires a former partner of the Company's external auditors to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

The Audit Committee reviewed its report for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

MEETINGS AND MINUTES

A total of five (5) meetings were held during the financial year under review. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out as follows:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Sarah Azreen Abdul Samat[1] *(Appointed on 30 August 2021)*	Independent Non-Executive Director *(Chairman of the Committee)*	Yes	1/5
Zainal Abidin Shariff *(Resigned on 26 August 2021)*	Independent Non-Executive Director	Yes	3/5
Dato' Mohd Zahir Zahur Hussain *(Resigned on 30 March 2021)*	Independent Non-Executive Director	Yes	2/5
Zulkifli Jafar	Independent Non-Executive Director	Yes	5/5
Dr. Abdul Razak Ahmad	Independent Non-Executive Director	Yes	5/5
Izaddeen Daud	Independent Non-Executive Director	No	3/5

Note: [1] The Audit Committee Chairman's profile can be viewed on page 134 of this Annual Report.

AUDIT COMMITTEE REPORT

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 were 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 training 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 159 to 160 of this Integrated Report.

KEY ACTIVITIES IN 2021

During the financial year under review, the Audit Committee carried out its duties as set out in its Terms of Reference. The information on the Terms of Reference of the Audit Committee 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 of Bursa Malaysia, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board.
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 quarterly financial statements and annual 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 of Bursa Malaysia; and
   - the quarterly financial statements and the annual 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 2021.

Integrated Report

1. Reviewed and endorsed the Statement on Risk Management and Internal Control (SORMIC) for Board's approval and disclosure in the 2021 Integrated Report.
2. Reviewed and approved the Audit Committee Report for incorporation in the 2021 Integrated Report.
3. Reviewed and endorsed the Corporate Governance Overview Statement and Report for Board's approval and inclusion in the 2021 Integrated Report.

External Audit

During the financial year under review, the Audit Committee together with the external auditors:

1. Reviewed the 2021 audit plan and scope of work for the Group.
2. Reviewed the audit fees, the number and experience of audit staff 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 2021.

The external auditors' non-audit service fees and the statutory audit fees are available on page 228 of this Integrated Report.

Internal Audit

During the financial year under review, the Audit Committee:

1. Reviewed with the internal auditors, their annual audit plan which is risk-based, focusing on significant areas of risk to ensure adequate and comprehensive scope coverage over the activities of the Group.
2. Reviewed and deliberated internal audit reports, including 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 staff within the Group Internal Audit Department to execute the annual audit plan.
5. Reviewed the effectiveness of internal audit processes and the resources allocated to the Group Internal Audit Department.

Related Party Transactions

During the financial year under review, the Audit Committee:

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. Reviewed the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 16 June 2021.
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 ensuring that these were in accordance with the provisions of the MMLR.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Group Internal Audit Department (GIAD) of Boustead Holdings Berhad (the immediate Holding Company of Pharmaniaga Berhad). The Head of the GIAD is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Professional Member of the Institute of Internal Auditors Malaysia (IIA Malaysia). The Head of the GIAD has more than 17 years of commercial experience in internal audit, risk management, compliance and strategic financial management, encompassing a wide array of industries. She reports functionally to the Audit Committee and administratively to the Group Managing Director to maintain the requisite independence and objectivity as outlined in the Audit Charter approved by the Audit Committee.

The internal audit function is established by the Board to provide independent and objective assurance on the adequacy and effectiveness of the governance, risk management and internal control processes implemented by the Management and recommend improvements to the processes where required. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the risk management, control and governance processes based on the review plan that is approved by the Audit Committee annually.

GIAD adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group's strategic plans. GIAD 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 GIAD are clearly spelt out in the Internal Audit Charter. GIAD has operated and performed in accordance with the principles of the Charter that provides for its independence. GIAD has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and the Group.

During the year, a total of eleven (11) internal auditors from GIAD were assigned to perform the audit of manufacturing, logistics and distributions, sales and marketing and support functions of the Group. GIAD completed and issued internal audit reports for eleven (11) assignments based on the approved annual audit plan. The audits conducted in 2021 covered a wide range of operational areas and processes within the Group, including review of new product development, manufacturing, production, inventory management, safety and health, human resource, strategic planning, procurement, contract management and sales and marketing. The corresponding audit reports were presented to the Audit Committee for the Committee's attention, deliberation and corrective actions.

SUMMARY OF INTERNAL AUDIT ACTIVITIES IN 2021

During the financial year under review, GIAD 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 investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of GIAD.
- 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 staff on internal controls, internal audit observations and proposed action plans on the areas covered during the audit processes.

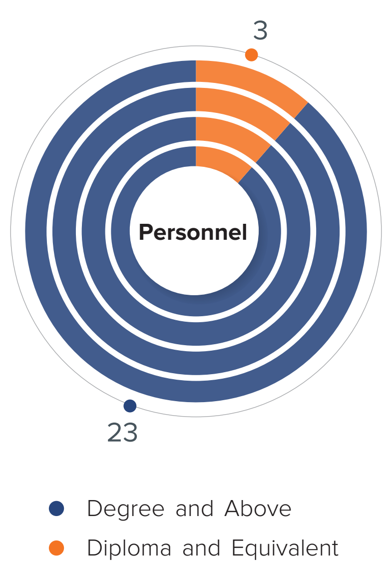
All audit works for the internal audit function during the year were conducted in-house. There were no areas of the internal audit programmes which were outsourced.

Resources and Continuous Professional and Competency Development

There are a total of 26 internal auditors in Boustead Holdings Berhad allocated to the various divisions within the Boustead Group. GIAD had carried out the audits in Pharmaniaga Berhad with the total costs incurred amounting to RM304,610.00 for the financial year ended 31 December 2021.

GIAD continues its commitment to equip their internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various relevant training, courses and seminars.

As at 31 December 2021, GIAD team had various professional qualifications and/or certifications as shown below:



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 2021 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 11 March 2022.

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FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

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	172,205	1,394
Attributable to:		
Owners of the parent	172,150	1,394
Non-controlling interests	55	–
	172,205	1,394

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 2021:

	Dividend		
	Sen per share	RM'000	Payment Date
First interim single tier dividend	0.8*	10,480	6 July 2021
Second interim single tier dividend	1.5	19,649	30 September 2021
Third interim single tier dividend	2.0	26,199	29 December 2021
Fourth interim single tier dividend	5.0	65,498	5 April 2022
	9.3	121,826	

* For comparative purpose, the first interim single tier dividend has been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

On 17 February 2022, the Directors declared a fourth interim single tier dividend of 5.0 sen per share amounting to RM65,498,000 in respect of the financial year ended 31 December 2021 which will be paid on 5 April 2022 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM153,339,000 to RM154,051,000 by way of:

(a) issuance of 286,000 ordinary shares pursuant to the Long Term Incentive Plan at no consideration; and

(b) issuance of 1,047,966,928 ordinary shares through a bonus issue on the basis of 4 bonus shares for every 1 existing ordinary share held in the Company, for nil 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 ("EGM") 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 shares 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 12 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 (5) 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.

DIRECTORS' REPORT

SHARE SCHEME (CONTINUED)

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.

Amendments to the Share Scheme

On 7 May 2021, the Board of Directors has resolved to extend the duration of the Initial Term of the Share Scheme for a further period of 5 years from 13 May 2021 to 12 May 2026, in accordance with the terms of the By-Laws.

The proposed amendments to the By-Laws governing the existing Share Scheme ("Proposed By-Laws Amendment") shall consist of the following amendments to the following terms under the By-Laws:

(a) amending the definition of eligible persons as specified under the By-Laws to include all employees of the Group (excluding foreign and dormant subsidiaries) to enable them to participate in the Option Plan and LTIP under the Share Scheme;

(b) streamlining the By-Laws to be aligned with the Companies Act 2016 ("Act"), which came into force on 31 January 2017, and to be in compliance with Bursa Listing Requirements, which include amongst others, the abolition of the par value regime and the maximum allocation to the Directors and senior management;

(c) providing that not more than 65% of the total number of shares of the Company to be issued under the Share Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are eligible persons under the Share Scheme (where "senior management" shall be subject to any criteria as may be determined at the sole discretion of the Scheme Committee from time to time); and

(d) reducing the Maximum Shares Available from 15% to 8.5% of the then issued share capital (excluding treasury shares) of the Company at any point of time, from time to time, during the duration of the Share Scheme.

The Proposed By-Laws Amendment has been approved by the shareholders of the Company at the EGM on 16 June 2021.

DIRECTORS' REPORT

SHARE SCHEME (CONTINUED)

Particulars of the outstanding options granted under the Option Plan and the shares granted under LTIP

As at 31 December 2021, the particulars of the outstanding options granted under the Option Plan and the shares granted under LTIP are as follows:

Option Plan

		Number of options over ordinary shares				
Date of grant	**Option price**	**At 1.1.2021**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2021**
13 May 2016	RM5.040	2,040,000	–	–	(2,040,000)	–
20 August 2021	RM0.843	–	40,163,800	–	(806,800)	39,357,000

Details of senior management 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 1.1.2021	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2021**
Datin Shamsinar Haji Shaari	375,000	82,550	–	(375,000)	82,550
Mohamed Iqbal Abdul Rahman	350,000	93,550	–	(350,000)	93,550
Norai'ni Mohamed Ali	350,000	82,550	–	(350,000)	82,550
Abdul Malik Mohamed	300,000	82,550	–	(300,000)	82,550
Zulhazri Razali	290,000	82,550	–	(290,000)	82,550
Wan Intan Idura Wan Ismail	–	82,550	–	–	82,550
Yang Fairuz Abdul Aziz	–	81,550	–	–	81,550
Ida Marianna Abdul Rashid	–	79,750	–	–	79,750
Norhana Nawawi Suri	–	55,700	–	–	55,700
Raja Badli Raja Abdullah	–	79,750	–	–	79,750
Dr. Badarulhisam Abdul Rahman	–	56,700	–	–	56,700
Mohd Saharuddin Othman	–	56,700	–	–	56,700
Shahanaz Sulaiman	–	56,700	–	–	56,700
Dato' Zuhri Iskandar Kamarzaman	–	56,700	–	–	56,700
Sharifah Fauziyah Syed Mohthar	375,000	82,500	–	(457,500)	–

Long Term Incentive Plan ("LTIP")

As at 31 December 2021, no shares under LTIP were granted to Eligible Employees. The particulars of the shares granted in previous year under LTIP were as follows:

	Number of ordinary shares				
Date of grant	**At 1.1.2021**	**Granted**	**Vested**	**Lapsed**	**At 31.12.2021**
17 May 2019	293,000	–	(286,000)	(7,000)	–

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

DIRECTORS' REPORT

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 this report are as follows:

Datuk Seri Zainal Abidin Mohd Rafique	(Appointed on 1 February 2022)
Datuk Zulkarnain Md Eusope	
Zulkifli Jafar	
Dato' Sri Mohammed Shazalli Ramly	(Appointed on 1 March 2021)
YB Senator Datuk Dr. Haji Azhar Ahmad	
Dato' Dr. Najmil Faiz Mohamed Aris	
Dr. Abdul Razak Ahmad	
Izaddeen Daud	(Appointed on 1 March 2021)
Sarah Azreen Abdul Samat	(Appointed on 20 August 2021)
Datuk (Dr.) Hafsah Hashim	(Resigned on 26 February 2021)
Dato' Mohd Zahir Zahur Hussain	(Resigned on 30 March 2021)
Zainal Abidin Shariff	(Appointed on 1 April 2021 and resigned on 26 August 2021)

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 were already listed above are as follows:

Mohamed Iqbal Abdul Rahman	
Norai'ni Mohamed Ali	
Datin Shamsinar Haji Shaari	
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	
Paulino Taylor	
Muhammad Rusidi	
Joefly Joesoef Bahroeny	(Appointed on 7 April 2021)
Mohamad Muhazni Mukhtar	(Resigned on 16 May 2021)
Sharifah Fauziyah Syed Mohthar	(Resigned on 30 November 2021)

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.

DIRECTORS' REPORT

DIRECTORS' BENEFITS (CONTINUED)

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 the Company and the total premium paid during the financial year amounted to RM68,910.

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)
Zulkifli Jafar	
Izaddeen Daud	(Appointed on 6 April 2021)
Sarah Azreen Abdul Samat	(Appointed on 30 August 2021)
Dato' Mohd Zahir Zahur Hussain	(Resigned on 30 March 2021)
Zainal Abidin Shariff	(Appointed on 6 April 2021 and resigned on 26 August 2021)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2021 held or dealt in the shares and options over the shares of the Company and of its related corporations during the financial year except for the options granted to a Director pursuant to the Company's Option Plan as set out below:

	← Number of option over ordinary shares →			
	At 1.1.2021	**Granted**	**Exercised**	**At 31.12.2021**
Datuk Zulkarnain Md Eusope	–	1,650,000	–	1,650,000

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.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

CURRENT ASSETS VALUATION (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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.

SIGNIFICANT EVENTS

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

DIRECTORS' REPORT

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.

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 11 March 2022. Signed on behalf of the Board of Directors:

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

DATUK ZULKARNAIN MD EUSOPE
GROUP MANAGING DIRECTOR

STATEMENT BY DIRECTORS

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

We, Datuk Seri Zainal Abidin Mohd Rafique 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 193 to 284 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 2021 and financial performance of the Group and of the Company for the financial year ended on 31 December 2021 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 11 March 2022.

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

DATUK ZULKARNAIN MD EUSOPE
GROUP 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 193 to 284 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 11 March 2022, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Registration 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 2021, 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 2021 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 193 to 284.

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 amongst 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.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 RM129.5 million as at 31 December 2021 were allocated to 4 cash-generating units ("CGUs"), namely, Logistics 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 volume growth rate and margin.	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 volume growth rate and margins by product 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(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 asset of the Group's small volume injectable plant as at 31 December 2021 are RM138.7 million and RM10.1 million respectively. The intangible assets relate to capitalised development costs work-in-progress subject to annual impairment testing. An impairment assessment was performed by management due to the continuing uncertainties surrounding the COVID-19 situation globally and the corresponding impact to the business plan of the Group's small volume injectable plant.	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 continuity of the demand of COVID-19 vaccines, sales volume growth rate and margins by product through comparison with business plans, historical results and market data;

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
Registration 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) Management assessed the intangible assets together with the PPE as one CGU. The recoverable amount of the CGU is determined based on value-in-use calculations with a range of 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, margin 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.
Recoverability of the Group's COVID-19 vaccines inventory Refer to Note 2(j) (Significant Accounting Policies) and Note 16 (Inventories). The carrying value of the Group's inventory as at 31 December 2021 amounted to RM1,264.4 million, of which RM561.4 million pertains to COVID-19 vaccines. We focused on this area as the COVID-19 vaccines inventory balance is material and its recoverability assessment involves significant judgement. In making such assessment, management has considered the continuing uncertainties surrounding the COVID-19 situation globally and potential demand for the COVID-19 vaccines. Based on management's assessment, no impairment was required as the Group expects to be able to sell the COVID-19 vaccines within the financial year ending 31 December 2022.	We assessed the recoverability assessment prepared by management and our procedures included the following: • Discussed with management on the basis applied to realise the COVID-19 vaccines inventory balance as at 31 December 2021; • Assessed and evaluated the feasibility of management's basis and action plans to realise the COVID-19 vaccines inventory by comparing to the prevailing market conditions and demand for COVID-19 vaccines as well as information available after the reporting date to corroborate management's basis; 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)
Registration 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
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 2021, 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 due to the continuing uncertainties surrounding the COVID-19 situation globally and the corresponding impact to the business plan of the subsidiary's small volume injectable plant. 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. We focused on this area as the recoverable amount of the investment is determined based on value-in-use method, which requires judgement on the part of management on the future financial performance of subsidiary.	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, in particular, continuity of the demand of COVID-19 vaccines, sales volume growth rate and margins by product through comparison 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.

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 2021 Integrated 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.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(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.

We communicate with the Directors regarding, amongst 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 AND 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
03483/01/2024 J
Chartered Accountant

Kuala Lumpur
11 March 2022

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue	4	**4,815,015**	2,725,071	**49,153**	39,367
Cost of sales	5	**(4,185,000)**	(2,429,875)	**–**	–
Gross profit		**630,015**	295,196	**49,153**	39,367
Other income	7(b)	**1,503**	1,276	**7**	2
Administrative expenses		**(322,642)**	(227,610)	**(47,672)**	(19,426)
Finance costs	6	**(33,324)**	(33,702)	**(7,267)**	(6,087)
Interest income		**1,523**	633	**7,173**	2
Profit before zakat and taxation	7(a)	**277,075**	35,793	**1,394**	13,858
Zakat		**(24,073)**	(2,522)	**–**	–
Taxation	9	**(80,797)**	(7,002)	**–**	(1)
Net profit for the financial year		**172,205**	26,269	**1,394**	13,857
Attributable to:					
Owners of the parent		**172,150**	27,489	**1,394**	13,857
Non-controlling interests		**55**	(1,220)	**–**	–
Net profit for the financial year		**172,205**	26,269	**1,394**	13,857
Earnings per share (sen):					
– Basic	10(a)	**13.15**	2.10*		
– Diluted	10(b)	**13.15**	2.10*		

* For comparative purpose, earnings per share for the previous financial year has been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Net profit for the financial year		**172,205**	26,269	**1,394**	13,857
Other comprehensive income/(loss), net of tax:					
Items that will be subsequently reclassified to profit or loss					
Foreign currency translation gains/(losses) for foreign operations		**865**	(3,248)	**–**	–
Items that will not be reclassified to profit or loss					
Recognition of actuarial (losses)/gains	30	**(339)**	295	**–**	–
Other comprehensive income/(loss), net of tax for the financial year		**526**	(2,953)	**–**	–
Total comprehensive income, net of tax for the financial year		**172,731**	23,316	**1,394**	13,857
Attributable to:					
Owners of the parent		**172,465**	24,868	**1,394**	13,857
Non-controlling interests		**266**	(1,552)	**–**	–
		172,731	23,316	**1,394**	13,857

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**364,617**	365,529	**–**	–
Right-of-use assets	13(a)	**30,973**	32,942	**–**	–
Subsidiaries	14	**–**	–	**593,438**	595,172
Intangible assets	15	**208,013**	205,037	**–**	–
Trade receivables	17	**–**	–	**–**	–
Other receivables	18	**–**	–	**–**	–
Amounts due from subsidiaries	19(a)	**–**	–	**148,560**	26,228
Deferred tax assets	29	**33,066**	50,405	**–**	–
		636,669	653,913	**741,998**	621,400
Current assets					
Inventories	16	**1,264,369**	586,713	**–**	–
Amounts due from related companies	21	**31**	35	**–**	–
Trade receivables	17	**227,849**	237,411	**–**	–
Other receivables	18	**69,873**	50,486	**171**	33
Amount due from immediate holding company	24	**–**	7	**–**	–
Amounts due from subsidiaries	19(a)	**–**	–	**94,746**	85,434
Tax recoverable		**6,713**	10,896	**–**	–
Deposits, cash and bank balances	20	**52,359**	40,696	**1,291**	407
		1,621,194	926,244	**96,208**	85,874
TOTAL ASSETS		**2,257,863**	1,580,157	**838,206**	707,274

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**154,051**	153,339	**154,051**	153,339
Exchange reserve		**1,016**	452	**–**	–
Share reserves	28	**1,670**	1,996	**1,670**	1,682
Retained earnings		**293,725**	181,741	**226,515**	282,718
		450,462	337,528	**382,236**	437,739
Non-controlling interests		**19,979**	17,437	**–**	–
Total equity		**470,441**	354,965	**382,236**	437,739
Non-current liabilities					
Government grants	25	**3,617**	3,948	**–**	–
Borrowings	26	**285,170**	337	**116,000**	–
Lease liabilities	13(b)	**441**	590	**–**	–
Deferred tax liabilities	29	**21,352**	16,239	**–**	–
Provision for defined benefit plan	30	**9,079**	10,259	**–**	–
		319,659	31,373	**116,000**	–
Current liabilities					
Amounts due to subsidiaries	19(b)	**–**	–	**303,413**	135,837
Amounts due to related companies	21	**4,890**	2,977	**44**	–
Trade payables	22	**677,633**	441,562	**–**	–
Other payables	23	**175,885**	70,549	**18,417**	3,663
Amount due to immediate holding company	24	**1,208**	74	**1,096**	35
Contract liabilities	31(a)	**22,128**	6,567	**–**	–
Government grants	25	**332**	341	**–**	–
Borrowings	26	**570,056**	669,272	**17,000**	130,000
Lease liabilities	13(b)	**1,193**	1,551	**–**	–
Current tax liabilities		**14,438**	926	**–**	–
		1,467,763	1,193,819	**339,970**	269,535
Total liabilities		**1,787,422**	1,225,192	**455,970**	269,535
TOTAL EQUITY AND LIABILITIES		**2,257,863**	1,580,157	**838,206**	707,274

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	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 2021		153,339	452	1,996	181,741	337,528	17,437	354,965
Net profit for the financial year		–	–	–	172,150	172,150	55	172,205
Other comprehensive income/(loss)		–	564	–	(249)	315	211	526
Total comprehensive income for the financial year		–	564	–	171,901	172,465	266	172,731
Transactions with owners:								
Issuance of new shares:								
– Long Term Incentive Plan	28	712	–	(712)	–	–	–	–
Share options granted under Option Plan		–	–	1,670	–	1,670	–	1,670
Shares granted under Long Term Incentive Plan		–	–	64	–	64	–	64
Forfeiture of shares options/shares granted under:								
– Option Plan		–	–	(1,331)	1,331	–	–	–
– Long Term Incentive Plan		–	–	(17)	17	–	–	–
Dividends:								
– owners of the Company	11	–	–	–	(58,945)	(58,945)	–	(58,945)
– non-controlling interests of a subsidiary		–	–	–	–	–	(44)	(44)
Changes in ownership interest in subsidiaries		–	–	–	(2,320)	(2,320)	2,320	–
Total transactions with owners for the financial year		712	–	(326)	(59,917)	(59,531)	2,276	(57,255)
At 31 December 2021		154,051	1,016	1,670	293,725	450,462	19,979	470,441

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Equity attributable to equity holders of the Company →						
	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 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	28	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 2021

		← Non-distributable	→	Distributable	
	Note	Share capital RM'000	Share reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021		**153,339**	**1,682**	**282,718**	**437,739**
Total comprehensive income for the financial year		**–**	**–**	**1,394**	**1,394**
Transactions with owners:					
Issuance of new shares:					
– Long Term Incentive Plan	28	**712**	**(428)**	**–**	**284**
Share options granted under Option Plan		**–**	**1,670**	**–**	**1,670**
Shares granted under Long Term Incentive Plan		**–**	**94**	**–**	**94**
Forfeiture of share options/shares granted under:					
– Option Plan		**–**	**(1,331)**	**1,331**	**–**
– Long Term Incentive Plan		**–**	**(17)**	**17**	**–**
Dividends	11	**–**	**–**	**(58,945)**	**(58,945)**
Total transactions with owners for the financial year		**712**	**(12)**	**(57,597)**	**(56,897)**
At 31 December 2021		**154,051**	**1,670**	**226,515**	**382,236**
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	28	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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**5,039,553**	2,706,052	**–**	–
Cash payments to suppliers and employees		**(5,008,730)**	(2,688,355)	**(16,359)**	(12,393)
Cash generated from/(used in) operations		**30,823**	17,697	**(16,359)**	(12,393)
Interest paid		**(32,631)**	(38,574)	**–**	–
Net tax paid		**(39,698)**	(2,944)	**–**	(1)
Zakat paid		**(24,073)**	(2,522)	**–**	–
Interest received		**1,523**	633	**2**	2
Net cash used in operating activities		**(64,056)**	(25,710)	**(16,357)**	(12,392)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		**212**	1	**–**	–
Purchase of property, plant and equipment	12	**(30,387)**	(9,253)	**–**	–
Purchase of intangible assets	15	**(14,969)**	(23,384)	**–**	–
Gross advances to subsidiaries		**–**	–	**(113,168)**	(10,209)
Gross repayments from subsidiaries		**–**	–	**12,545**	–
Increase in investment in deposits maturing more than three (3) months		**(413)**	–	**–**	–
Net cash used in investing activities		**(45,557)**	(32,636)	**(100,623)**	(10,209)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
– owners of the Company		**(58,945)**	(26,142)	**(58,945)**	(26,142)
– non-controlling interests of a subsidiary		**(44)**	(86)	**–**	–
Drawdown of borrowings		**2,329,136**	1,541,137	**270,000**	240,000
Interest paid		**–**	–	**(7,267)**	(6,087)
Repayment of borrowings		**(2,146,529)**	(1,432,359)	**(267,000)**	(160,000)
Repayment of hire purchase liabilities		**(468)**	(419)	**–**	–
Gross advances received from subsidiaries		**–**	–	**482,783**	203,077
Gross repayments to subsidiaries		**–**	–	**(301,707)**	(228,327)
Payment of lease liabilities	13(b)	**(2,412)**	(10,642)	**–**	–
Net cash generated from financing activities		**120,738**	71,489	**117,864**	22,521
NET CHANGES IN CASH AND CASH EQUIVALENTS		**11,125**	13,143	**884**	(80)
Foreign exchange differences		**125**	(231)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**35,862**	22,950	**407**	487
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	20	**47,112**	35,862	**1,291**	407

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

1 GENERAL INFORMATION

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.

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.

As at 31 December 2021, the Company was in a net current liabilities position of RM243,762,000. The Directors have prepared the financial statements on a going concern basis based on the undrawn committed borrowing facilities available to the Company as disclosed in Note 26 to the financial statements. 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 2021

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 to the financial statements.

Amendments to published standards that are effective

On 1 January 2021, the Group and the Company have applied the following amendments to published standards:

- Amendments to MFRS 16 "Leases" on 'COVID-19 – Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 on 'Interest Rate Benchmark Reform – Phase 2'

The adoption of the above amendments to published standards did not have any significant impact on the amounts recognised in the current period as well as any prior period and is not expected to significantly affect future periods.

Amendments to published standards that have been issued but not yet effective

(i) Annual Improvements to MFRS 9 "Financial Instruments" on '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.

(ii) Amendments to MFRS 3 "Business Combinations" on '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.

(iii) Amendments to MFRS 116 "Property, Plant and Equipment" on '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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Amendments to published standards that have been issued but not yet effective (continued)

(iv) Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on '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.

(v) Amendments to MFRS 101 "Presentation of Financial Statements" on '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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

(vi) Amendments to MFRS 112 "Income Taxes" on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

(viii) Amendments to MFRS 101 "Presentation of Financial Statements" 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Amendments to published standards that have been issued but not yet effective (continued)

(ix) Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" (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.

(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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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.

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.

(ii) Changes in ownership interests in subsidiaries without change of control

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.

Gains or losses 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

– income and expenses for each statement of 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), 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, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in 'other income' or 'administrative expenses' 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.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revision of the residual values and useful lives are accounted for as a change in accounting estimate and 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 Note 2(i) for accounting policy on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Note 2(i) for accounting policy on impairment of non-financial assets.

On disposal of an investment, the difference between disposal proceeds and 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 from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. 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. 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.

(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 to 15 years.

(iii) 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 to 9 years.

(iv) 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, 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(v) 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, 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.

(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 Note 2(i) for accounting policy 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs 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 Note 2(v) for accounting policy on impairment of financial assets.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(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) Dividend 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share capital (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 as employee benefit expense, except where included in the cost of an asset.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(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 reserves 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
– 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 reserves 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 reserves 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 reserves. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period with adjustments recognised in profit or loss and share reserves as appropriate.

When shares 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 the separate financial statements of the Company, the shares granted by the Company over its equity instruments to the employees of subsidiaries in the Group are treated as a capital contribution to the subsidiaries. The fair value of shares granted to employees of the subsidiaries in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiaries, with a corresponding credit to equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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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 contracts 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 2021

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. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 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 Company and its 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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Current and deferred income taxes (continued)

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is recognised for all taxable temporary differences arising from 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, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs 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 recognised 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 subsequently measures all equity investments at fair value. Where the Group'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 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(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.

NOTES TO THE FINANCIAL STATEMENTS
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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 measures 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 balances due from each individual subsidiary.

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9. The identified impairment loss was immaterial.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 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 in exchange 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 in advance 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 received consideration before the goods are delivered or services are to be rendered to the customers.

(aa) Leases

The Group as a lessee

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessee (continued)

(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).

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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessee (continued)

(iii) Lease liabilities (continued)

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.

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

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset.

Initial direct costs are also included in the initial measurement of the net investment. The net investments are subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessor (continued)

(ii) Operating leases

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.

(ab) Zakat

The Group recognises its obligations towards the payment of zakat on business in the profit or loss. Zakat payment is discretionary 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 is 2.5% of the zakat base. The zakat base of the Group is determined based on the net adjusted amount of zakat assets and liabilities of eligible companies within the Group. Zakat on business is calculated by multiplying the zakat rate with the 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
– 31 DECEMBER 2021

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 continues to impact the economy in which the Group operates, creating an uncertainty on the duration of the pandemic and the resulting impact on the economy. Management has considered the potential impact of the on-going COVID-19 pandemic to the Group and 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 expectations of the future business plan of the plant as well as the continued demand for COVID-19 vaccines; and
- 'downside' cash flow scenario which reflects the potential delay in registration and commercialisation of products as a result of worsening COVID-19 situation and other potential difficulties.

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 units have been determined based on value-in-use calculations. These calculations require use of estimates as set out in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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)

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 potential developments in the COVID-19 situation. The key assumptions used, results and conclusion of the impairment assessment are stated in Note 14.

Recoverability of COVID-19 vaccines inventory

The Group assesses whether there is any indication that the cost of inventory of COVID-19 vaccines amounting to RM561.4 million as at 31 December 2021 is non-recoverable at the end of the reporting period. The recoverability of the COVID-19 vaccines inventory is measured by comparing the carrying amount of the COVID-19 vaccines with its realisable value, taking into consideration the prevailing market conditions globally and potential demand.

Currently, the Group is actively working on exporting current COVID-19 vaccine stocks to countries with low vaccination rates in the effort to hasten the rate and goal of achieving global immunisation against COVID-19. Proactive efforts have been put in place to monitor the COVID-19 vaccine stocks including on-going discussion with business partners in penetrating international markets.

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

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue consists of:				
Revenue from contracts with customers:				
– Sale of goods	**4,815,015**	2,725,071	**–**	–
– Management fees	**–**	–	**35,653**	14,367
	4,815,015	2,725,071	**35,653**	14,367
Dividend income	**–**	–	**13,500**	25,000
	4,815,015	2,725,071	**49,153**	39,367

Disaggregation of revenue from contracts with customers:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Geographical markets				
– Malaysia	**3,913,475**	1,902,391	**35,653**	14,367
– Indonesia	**893,079**	809,777	**–**	–
– Other countries	**8,461**	12,903	**–**	–
	4,815,015	2,725,071	**35,653**	14,367
Timing of revenue recognition				
– at a point in time	**4,815,015**	2,725,071	**–**	–
– over time	**–**	–	**35,653**	14,367
	4,815,015	2,725,071	**35,653**	14,367

NOTES TO THE FINANCIAL STATEMENTS
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5 COST OF SALES

Cost of sales consists of:

	Note	Group 2021 RM'000	Group 2020 RM'000
Amortisation of intangible assets	15	**266**	201
Depreciation of property, plant and equipment	12	**16,109**	13,675
Depreciation of right-of-use assets	13(a)	**137**	66
Employee benefit expenses	8	**56,436**	54,375
Changes in inventories of finished goods		**2,800,167**	2,161,608
Impairment of slow moving and obsolete inventories		**8,413**	6,491
Provision for inventories written back		**(664)**	(85)
Raw materials and consumables used		**1,193,764**	113,793
Selling and distribution costs		**67,354**	53,931
Maintenance of Pharmacy Information System		**23,900**	18,279
Penalty charges		**11,541**	1,230
Others		**7,577**	6,311
		4,185,000	2,429,875

6 FINANCE COSTS

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Interest expenses on:				
– bankers' acceptances	**23,545**	23,170	**–**	–
– revolving credits	**9,601**	10,303	**7,267**	6,087
– lease liabilities	**104**	134	**–**	–
– hire purchase	**74**	95	**–**	–
	33,324	33,702	**7,267**	6,087

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

7 PROFIT BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs) have been charged in arriving at profit before zakat and taxation:

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Auditors' remuneration					
(i) statutory audit fees:					
– PricewaterhouseCoopers PLT, Malaysia		**567**	547	**164**	164
– firms other than member firms of PricewaterhouseCoopers International Limited		**206**	195	**–**	–
(ii) other non-audit fees		**398**	1,312	**5**	1,268
Bad debts written off		**–**	245	**–**	–
Depreciation of right-of-use assets	13(a)	**3,797**	3,917	**–**	–
Directors' fees:					
– Executive	8	**12**	18	**–**	–
– Non-executive		**962**	880	**824**	808
Directors' other allowances and emoluments		**283**	225	**220**	205
Employee benefit expenses		**227,116**	178,013	**32,106**	12,323
Expenses arising from leases of low-value assets		**4,723**	3,294	**136**	48
Foreign exchange losses		**420**	1,433	**–**	–
Impairment loss on:					
– trade receivables	17	**4,212**	3,868	**–**	–
– other receivables	18	**1,194**	–	**–**	–
Impairment of slow moving and obsolete inventories		**27,391**	19,333	**–**	–
Intangible assets:					
– amortisation	15	**3,877**	3,950	**–**	–
– written off	15	**5,931**	4,811	**–**	–
– impairment loss	15	**4,844**	–	**–**	–
Impairment of investment in a subsidiary	14	**–**	–	**3,516**	–
Management fees paid/payable to immediate holding company		**290**	299	**290**	299
Property, plant and equipment:					
– depreciation	12	**25,704**	24,474	**–**	–
– written off	12	**2,093**	792	**–**	–
Reversal of impairment loss on trade receivables	17	**–**	(1,691)	**–**	–

During the financial year, the Group incurred a total of RM20,088,000 (2020: RM23,221,000) for research and development expenses, of which RM15,151,000 (2020: RM15,477,000) has been recognised as capitalised development cost of work-in-progress under Intangible Assets as disclosed in Note 15.

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7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(b) Other income

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Gain on disposal of property, plant and equipment		**71**	–	**–**	–
Utilisation of Government grant	25	**340**	341	**–**	–
Foreign exchange gains		**927**	405	**–**	2
Others		**165**	530	**7**	–
		1,503	1,276	**7**	2

8 EMPLOYEE BENEFIT EXPENSES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Salaries and bonuses		**169,688**	123,896	**26,659**	8,976
Defined contribution plan		**15,874**	14,312	**1,615**	1,169
Defined benefit plan	30	**93**	1,711	**–**	–
Share-based expenses:					
– Option Plan		**1,601**	91	**103**	91
– Long Term Incentive Plan		**64**	860	**94**	488
Other short-term employee benefits		**38,517**	36,476	**2,356**	933
		225,837	177,346	**30,827**	11,657
Executive Directors' remuneration:					
– Salaries and bonuses		**956**	515	**956**	515
– Fees		**12**	18	**–**	–
– Defined contribution plan		**159**	82	**159**	82
– Share-based expenses:					
• Option Plan		**69**	–	**69**	–
– Other short-term employee benefits		**95**	70	**95**	69
		1,291	685	**1,279**	666
Total		**227,128**	178,031	**32,106**	12,323
Employee benefit expenses included in:					
– cost of sales	5	**56,436**	54,375	**–**	–
– administrative expenses		**170,680**	123,638	**32,106**	12,323
Executive Directors' fees	7(a)	**12**	18	**–**	–
		227,128	178,031	**32,106**	12,323

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM121,300 (2020: RM28,800).

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9 TAXATION

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current tax:					
– Malaysian income tax		**55,271**	10,755	**–**	1
– foreign income tax		**806**	930	**–**	–
– under/(over) provision in prior years		**1,316**	(357)	**–**	–
		57,393	11,328	**–**	1
Deferred taxation:					
– origination and reversal of temporary differences	29	**23,404**	(4,326)	**–**	–
Tax expense		**80,797**	7,002	**–**	1

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

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before taxation after zakat	**253,002**	33,271	**1,394**	13,858
Statutory income tax at rate of 24% (2020: 24%)	**60,720**	7,985	**335**	3,326
Different tax rates in other country	**(2)**	(32)	**–**	–
Tax effects of:				
Expenses not deductible for tax purpose	**24,197**	7,488	**4,683**	3,029
Expenses subject to double deduction	**(4,783)**	(4,284)	**–**	–
Income not subject to tax	**(511)**	(395)	**(4,964)**	(6,003)
Utilisation of previously unrecognised deductible temporary differences	**(140)**	(3,403)	**(54)**	(351)
Under/(Over) provision of tax in prior years	**1,316**	(357)	**–**	–
Tax expense	**80,797**	7,002	**–**	1

NOTES TO THE FINANCIAL STATEMENTS
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10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit 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 2021	Group 2020*
Net profit attributable to owners of the Company (RM'000)	**172,150**	27,489
Weighted average number of ordinary shares in issue ('000)	**1,309,336**	1,307,361
Basic earnings per share (sen)	**13.15**	2.10

(b) Diluted earnings per share

For the diluted earnings 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 shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares 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 outstanding ordinary shares 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 2021 RM'000	Group 2020* RM'000
Net profit attributable to owners of the Company (RM'000)	**172,150**	27,489
Weighted average number of ordinary shares in issue ('000)	**1,309,336**	1,307,361
Assumed shares issued under Long Term Incentive Plan ('000)	**–**	1,465
Weighted average number of ordinary shares in issue ('000)	**1,309,336**	1,308,826
Diluted earnings per share (sen)	**13.15**	2.10

* For comparative purpose, earnings per share for the previous financial year has been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

The options granted under the Group's Option Plan are anti-dilutive as they are out-of-the-money and have not been considered in the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
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11 DIVIDENDS

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

	Company			
	2021		2020	
	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 2021:				
– First interim single tier dividend	**0.8**	**10,480**	–	–
– Second interim single tier dividend	**1.5**	**19,649**	–	–
– Third interim single tier dividend	**2.0**	**26,199**	–	–
In respect of the financial year ended 31 December 2020:				
– First interim single tier dividend	**–**	**–**	1.2*	15,674
– Second interim single tier dividend	**–**	**–**	0.5*	6,543
– Third interim single tier dividend	**–**	**–**	0.3*	3,925
– Fourth interim single tier dividend	**0.2***	**2,617**	–	–
	4.5	**58,945**	2.0	26,142

* For comparative purpose, dividend per share for the previous financial year has been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

On 17 February 2022, the Directors declared a fourth interim single tier dividend of 5.0 sen per share amounting to RM65,498,000 in respect of the financial year ended 31 December 2021 which will be paid on 5 April 2022 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2021.

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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 2021						
Cost	**280,767**	**144,263**	**14,769**	**315,836**	**30,166**	**785,801**
Accumulated depreciation	**(112,954)**	**(113,805)**	**(12,968)**	**(181,457)**	**–**	**(421,184)**
Net book value	**167,813**	**30,458**	**1,801**	**134,379**	**30,166**	**364,617**
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 1 January 2020						
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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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 2021		**172,447**	**29,808**	**2,054**	**140,804**	**20,416**	**365,529**
Additions		**299**	**6,597**	**511**	**5,650**	**13,554**	**26,611**
Disposals		**–**	**(140)**	**–**	**(1)**	**–**	**(141)**
Written off	7(a)	**(113)**	**(187)**	**–**	**(27)**	**(1,766)**	**(2,093)**
Reclassification		**191**	**886**	**–**	**1,180**	**(2,257)**	**–**
Depreciation charged	7(a)	**(5,156)**	**(6,522)**	**(768)**	**(13,258)**	**–**	**(25,704)**
Foreign exchange adjustments		**145**	**16**	**4**	**31**	**219**	**415**
At 31 December 2021		**167,813**	**30,458**	**1,801**	**134,379**	**30,166**	**364,617**
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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold 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 2021				
Cost	**25,545**	**121,338**	**133,884**	**280,767**
Accumulated depreciation	**–**	**(43,907)**	**(69,047)**	**(112,954)**
Net book value	**25,545**	**77,431**	**64,837**	**167,813**
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 1 January 2020				
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
Movements in net book value				
At 1 January 2021	**25,519**	**79,729**	**67,199**	**172,447**
Additions	**–**	**–**	**299**	**299**
Written off	**–**	**(113)**	**–**	**(113)**
Reclassification	**–**	**–**	**191**	**191**
Depreciation charged	**–**	**(2,302)**	**(2,854)**	**(5,156)**
Foreign exchange adjustments	**26**	**117**	**2**	**145**
At 31 December 2021	**25,545**	**77,431**	**64,837**	**167,813**
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

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 2021				
Cost	**33,269**	**44,109**	**66,885**	**144,263**
Accumulated depreciation	**(24,878)**	**(34,649)**	**(54,278)**	**(113,805)**
Net book value	**8,391**	**9,460**	**12,607**	**30,458**
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 1 January 2020				
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
Movements in net book value				
At 1 January 2021	**4,591**	**10,193**	**15,024**	**29,808**
Additions	**4,531**	**1,429**	**637**	**6,597**
Disposals	**(1)**	**(136)**	**(3)**	**(140)**
Written off	**(50)**	**(47)**	**(90)**	**(187)**
Reclassification	**280**	**535**	**71**	**886**
Depreciation charged	**(948)**	**(2,514)**	**(3,060)**	**(6,522)**
Foreign exchange adjustments	**(12)**	**–**	**28**	**16**
At 31 December 2021	**8,391**	**9,460**	**12,607**	**30,458**
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

During the financial year, depreciation of RM16,109,000 (2020: RM13,675,000) is included in 'cost of sales' and RM9,595,000 (2020: RM10,799,000) in 'administrative expenses' in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
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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 2021 RM'000	Group 2020 RM'000
Plant and machinery	**831**	895
Equipment	**361**	810
Motor vehicles	**517**	285
	1,709	1,990

The net cash outflows for the acquisition of property, plant and equipment during the financial year are as follows:

	Group 2021 RM'000	Group 2020 RM'000
Acquisition of property, plant and equipment during the financial year	**26,611**	8,750
Less: Accrual of property, plant and equipment	**(6,023)**	(9,376)
Less: Acquired through hire purchase arrangements	**(217)**	(379)
Add: Payments for property, plant and equipment purchased in prior year	**9,376**	9,305
Less: Payments made in prior year for asset delivered during the financial year	**640**	953
Net cash outflows for the acquisition of property, plant and equipment	**30,387**	9,253

Security

At 31 December 2021, land with a carrying amount of RM9,457,000 (2020: Nil) is subject to a registered debenture to secure bank loans granted to the Group (see Note 26(b)).

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 due to the continuing uncertainties surrounding the COVID-19 situation globally and the corresponding impact to the business plan of the plant.

The carrying amount of assets totalling RM148.8 million (2020: RM135.8 million) comprising property, plant and equipment as well as capitalised development costs of work-in-progress, capitalised development cost and software included in intangible assets as disclosed in Note 15 of RM138.7 million and RM10.1 million (2020: RM125.2 million and RM10.6 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.

The on-going COVID-19 pandemic continues to impact the economy in which the Group operates, creating an uncertainty on the duration of the pandemic and the resulting impact on the economy. Management has considered the potential impact of the on-going COVID-19 pandemic to the Group and 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.

NOTES TO THE FINANCIAL STATEMENTS
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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)

Under this approach, management has prepared cash flows under the following three scenarios:

- 'base case' cash flow scenario which reflects management's expectations of the future business plan of the plant as well as the continued demand for COVID-19 vaccines;
- 'downside' cash flow scenario which reflects the potential delay in registration and commercialisation of products as a result of worsening COVID-19 situation and other potential difficulties; and
- 'worst case' cash flow scenario which reflects a further extended delay compared to that of the 'downside' scenario.

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 including COVID-19 vaccines and new products under development in the market. 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 revenue growth rates and product margins range between -48.3% to 13.4% (2020: 0.0% to >100%) per annum and 4.8% to 80.5% (2020: 0.0% to 98.1%) respectively.
- Values of land and buildings – The estimated value of the land of RM36.8 million (2020: 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 14.7% (2020: 16.3%) 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 as well as capitalised development costs of work-in-progress, capitalised development cost and software included in intangible assets as at 31 December 2021 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 as well as capitalised development costs of work-in-progress, capitalised development cost and software included in intangible assets to materially exceed the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
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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 2021				
Cost	**30,193**	**14,384**	**1,663**	**46,240**
Accumulated depreciation	**(6,878)**	**(7,722)**	**(667)**	**(15,267)**
Net book value	**23,315**	**6,662**	**996**	**30,973**
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 1 January 2020				
Cost	30,209	6,348	–	36,557
Accumulated depreciation	(5,691)	(3,024)	–	(8,715)
Net book value	24,518	3,324	–	27,842
Movements in net book value				
At 1 January 2021	**23,871**	**7,733**	**1,338**	**32,942**
Additions	**–**	**1,751**	**–**	**1,751**
Derecognition	**–**	**–**	**(66)**	**(66)**
Depreciation charged (Note 7(a))	**(590)**	**(2,931)**	**(276)**	**(3,797)**
Foreign exchange adjustments	**34**	**109**	**–**	**143**
At 31 December 2021	**23,315**	**6,662**	**996**	**30,973**
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

During the financial year, depreciation of RM137,000 (2020: RM66,000) is included in 'cost of sales' and RM3,660,000 (2020: RM3,851,000) in 'administrative expenses' in profit or loss.

The Group leases the land for a period of 20 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 of which the Group is not reasonably certain to exercise.

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
– 31 DECEMBER 2021

13 LEASES (CONTINUED)

(b) Lease liabilities

	Group 2021 RM'000	Group 2020 RM'000
Current	**1,193**	1,551
Non-current	**441**	590
	1,634	2,141

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 2021 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 2021 RM'000
Group						
Lease liabilities	**2,141**	**(2,412)**	**104**	**1,685**	**116**	**1,634**

	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

NOTES TO THE FINANCIAL STATEMENTS
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14 SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
Investment in subsidiaries:		
Unquoted shares, at cost	**586,954**	586,954
Less: Accumulated impairment losses	**(3,894)**	(378)
	583,060	586,576
Capital contribution to subsidiaries	**10,378**	8,596
	593,438	595,172

Capital contribution to subsidiaries

The fair value of deferred shares granted to eligible employees 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 (%) 2021	Effective equity interest (%) 2020
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
Bio-Collagen Technologies Sdn. Bhd.	Dormant	RM2,000,000	**100**	70
Pharmaniaga Biomedical Sdn. Bhd.	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
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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 (%) 2021	2020
Subsidiaries of the Company (continued)				
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	**100**	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

Acquisition of non-controlling interests

During the financial year, the Company and its subsidiary acquired non-controlling interests as below:

(a) Pristine Pharma Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary of the Company, acquired a total of 20,000 ordinary shares in Paradigm Industry Sdn. Bhd. ("PISB") for a purchase consideration of RM1.00 representing the remaining 20% of the total issued and paid-up capital of PISB; and

(b) The Company acquired a total of 600,000 ordinary shares in Bio-Collagen Technologies Sdn. Bhd. ("BCT") for a purchase consideration of RM1.00 representing the remaining 30% of the total issued and paid-up capital of BCT.

Upon acquisition, both PISB and BCT are effectively 100% owned subsidiaries of the Company.

In August 2021, BCT has ceased its operation and accordingly, the cost of investment of RM3,516,000 and goodwill of RM2,748,000 have been impaired.

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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 subsidiary PLS amounting to RM200.0 million. PLS operates a small volume injectable production plant and the impairment assessment was performed 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 16.4% (2020: 17.9%) 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 2021 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 2021 RM'000	PT MPI 2020 RM'000
Current		
Assets	**318,645**	303,524
Liabilities	**(267,872)**	(253,478)
Total current net assets	**50,773**	50,046
Non-current		
Assets	**30,051**	30,931
Liabilities	**(7,306)**	(8,678)
Total non-current net assets	**22,745**	22,253
Net assets	**73,518**	72,299
Net assets attributable to non-controlling interests at the end of the financial year	**19,556**	19,232
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 2021 RM'000	PT MPI 2020 RM'000
Revenue	**857,920**	767,938
Profit/(Loss) before taxation	**1,840**	(846)
Taxation	**(1,297)**	(1,013)
Net profit/(loss) for the financial year	**543**	(1,859)
Other comprehensive income/(loss)	**842**	(945)
Total comprehensive income/(loss), net of tax for the financial year	**1,385**	(2,804)
Net profit/(loss) for the financial year allocated to non-controlling interests	**144**	(494)
Total comprehensive income/(loss) allocated to non-controlling interests	**368**	(746)
Dividend paid to non-controlling interests	**44**	86

Summarised statement of cash flows

	2021 RM'000	2020 RM'000
Cash generated from operations	**14,395**	20,419
Interest paid	**(9,773)**	(13,042)
Net tax paid	**(4,766)**	(4,234)
Net cash (used in)/generated from operating activities	**(144)**	3,143
Net cash used in investing activities	**(923)**	(888)
Net cash (used in)/generated from financing activities	**(3,735)**	7,847
Net changes in cash and cash equivalents	**(4,802)**	10,102
Cash and cash equivalents at beginning of financial year	**17,764**	7,501
Foreign exchange differences	**90**	161
Cash and cash equivalents at end of financial year	**13,052**	17,764

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15 INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Manu-facturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Cost									
At 1 January 2021		143,758	19,342	45,193	3,991	16,617	3,804	3,071	235,776
Reclassification		–	–	(63)	63	–	–	–	–
Additions		–	1,261	15,151	–	–	–	–	16,412
Written off	7(a)	–	–	(5,931)	–	–	–	–	(5,931)
Foreign exchange adjustments		1,118	88	–	–	333	79	–	1,618
At 31 December 2021		144,876	20,691	54,350	4,054	16,950	3,883	3,071	247,875
Less: Accumulated amortisation									
At 1 January 2021		–	3,551	–	553	11,608	1,570	804	18,086
Amortisation charged	7(a)	–	1,410	–	268	1,773	255	171	3,877
Foreign exchange adjustments		–	88	–	–	275	39	–	402
At 31 December 2021		–	5,049	–	821	13,656	1,864	975	22,365
Less: Accumulated impairment									
At 1 January 2021		12,653	–	–	–	–	–	–	12,653
Impairment loss	7(a)	2,748	–	–	–	–	–	2,096	4,844
At 31 December 2021		15,401	–	–	–	–	–	2,096	17,497
Net book value									
At 31 December 2021		129,475	15,642	54,350	3,233	3,294	2,019	–	208,013

NOTES TO THE FINANCIAL STATEMENTS
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15 INTANGIBLE ASSETS (CONTINUED)

Group	Note	Goodwill RM'000	Software 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	35,967	2,637	17,117	3,924	3,071	231,834
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	45,193	3,991	16,617	3,804	3,071	235,776
Less: Accumulated amortisation									
At 1 January 2020		–	6,516	–	352	10,015	1,358	598	18,839
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	–	553	11,608	1,570	804	18,086
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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

15 INTANGIBLE ASSETS (CONTINUED)

During the financial year, amortisation of RM266,000 (2020: RM201,000) is included in 'cost of sales' and RM3,611,000 (2020: RM3,749,000) in 'administrative expenses' in profit or loss.

The net cash outflows for the acquisition of intangible assets during the financial year are as follows:

	Group 2021 RM'000	Group 2020 RM'000
Additions during the financial year	**16,412**	15,477
Less: Accrual of intangible assets	**(1,443)**	–
Add: Payment for intangible assets acquired in prior year	**–**	7,907
Net cash outflows on the acquisition of intangible assets	**14,969**	23,384

Impairment assessment for goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGUs") are as follows:

	Group 2021 RM'000	Group 2020 RM'000
Malaysia		
Trading and distribution	**16,839**	16,839
Manufacturing	**58,205**	60,953
Indonesia		
Trading and distribution	**2,375**	2,327
Manufacturing	**52,056**	50,986
Total	**129,475**	131,105

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 periods ranging from 5 to 10 years 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.

NOTES TO THE FINANCIAL STATEMENTS
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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 %
2021				
Sales growth rate (per annum)	**(5.8) to 8.0**	**9.0 to 59.9**	**12.4 to 15.3**	**12.0 to 71.1**
Product margins	**10.1 to 11.0**	**24.6 to 40.9**	**7.4 to 7.5**	**19.9 to 51.0**
Discount rate (per annum)	**13.5**	**14.7**	**14.3**	**19.6**
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

(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% (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS
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15 INTANGIBLE ASSETS (CONTINUED)

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 2021, the capitalised development costs of work-in-progress in relation to the small volume injectable production plant of RM6.3 million (2020: RM6.5 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 2021, the capitalised development costs of work-in-progress of RM48.0 million (2020: RM33.8 million) together with related property, plant and equipment of RM143.9 million (2020: RM151.2 million), goodwill of RM110.3 million (2020: RM111.9 million) and other intangible assets of RM7.6 million (2020: RM8.1 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.

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a period of 5 to 21 years that reflects the industry, product lifecycle from development, stability testing, product registration and commercialisation. The sales volumes used in the value-in-use calculations are 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 units make 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 71.0% (2020: 0.0% to >100%) per annum.

- Discount rate – In measuring the recoverable amount based on the value-in-use calculations, discount rate of 14.7% to 17.9% (2020: 16.3%) 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 2021 as their recoverable amounts are in excess of their carrying amounts.

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16 INVENTORIES

	Group 2021 RM'000	Group 2020 RM'000
Raw materials	**49,702**	45,144
Packaging materials	**26,961**	24,843
Work-in-progress	**5,888**	10,408
Finished goods	**1,181,818**	506,318
	1,264,369	586,713

As at 31 December 2021, inventories included COVID-19 vaccines stock amounting to RM561,400,000 (2020: Nil).

17 TRADE RECEIVABLES

	Group 2021 RM'000	Group 2020 RM'000
Current		
Trade receivables	**241,359**	250,851
Less: Accumulated impairment losses	**(13,510)**	(13,440)
	227,849	237,411
Non-current		
Trade receivables	**–**	2,435
Less: Accumulated impairment losses	**–**	(2,435)
	–	–

The credit terms of trade receivables range from 30 days to 120 days (2020: 30 days to 120 days).

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17 TRADE RECEIVABLES (CONTINUED)

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

Group	Lifetime ECL (Collective assessment) RM'000	Lifetime ECL (Individual assessment) RM'000	Total RM'000
2021			
At 1 January 2021	**7,038**	**8,837**	**15,875**
Impairment during the financial year (Note 7(a))	**4,212**	**–**	**4,212**
Written off	**(198)**	**(6,327)**	**(6,525)**
Foreign exchange differences	**(52)**	**–**	**(52)**
At 31 December 2021	**11,000**	**2,510**	**13,510**
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

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 the exposure to credit risk is disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS
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18 OTHER RECEIVABLES

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current				
Other receivables	**4,955**	4,116	**23**	17
Less: Accumulated impairment losses	**(1,194)**	–	**–**	–
	3,761	4,116	**23**	17
Prepayments	**27,517**	16,431	**142**	16
Deposits	**5,001**	28	**6**	–
GST/VAT recoverable	**33,594**	29,911	**–**	–
	69,873	50,486	**171**	33
Non-current				
Other receivables	**3,188**	3,188	**–**	–
Less: Accumulated impairment losses	**(3,188)**	(3,188)	**–**	–
	–	–	**–**	–

Movement of the accumulated impairment of other receivables during the financial year is as follows:

	Group 2021 RM'000	Group 2020 RM'000
At 1 January	**3,188**	3,188
Impairment during the financial year (Note 7(a))	**1,194**	–
At 31 December	**4,382**	3,188

Information about the impairment of other receivables and the exposure to credit risk is disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS
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19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company 2021 RM'000	Company 2020 RM'000
Current		
Amounts due from subsidiaries	**118,881**	109,569
Less: Accumulated impairment losses	**(24,135)**	(24,135)
Amounts due from subsidiaries – net	**94,746**	85,434
Non-current		
Amounts due from subsidiaries	**185,980**	63,648
Less: Accumulated impairment losses	**(37,420)**	(37,420)
Amounts due from subsidiaries – net	**148,560**	26,228

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

Movements of the accumulated impairment of amounts due from subsidiaries during the financial year are as follows:

	Company 2021 RM'000	Company 2020 RM'000
At 1 January/31 December	**61,555**	61,555

(b) Amounts due to subsidiaries

Included in amounts due to subsidiaries is an advance granted by the Company to a subsidiary amounting to RM133.0 million (2020: Nil) which is unsecured, bears interest at 3.9% (2020: Nil) per annum and is repayable on demand. The remainder of the amounts due to subsidiaries are unsecured, interest free and are repayable on demand.

Dividend income from subsidiaries totalling RM13.5 million (2020: RM25.0 million) during the financial year was set off against amounts due to subsidiaries.

(c) Reconciliation of amounts due to subsidiaries

The following table illustrates the changes in amounts due to subsidiaries, including both changes arising from cash flows and non-cash changes during the financial year:

	At 1 January 2021 RM'000	Net cash flow RM'000	Non-cash changes RM'000	At 31 December 2021 RM'000
Amounts due to subsidiaries	**135,837**	**181,076**	**(13,500)**	**303,413**

	At 1 January 2020 RM'000	Net cash flow RM'000	Non-cash changes RM'000	At 31 December 2020 RM'000
Amounts due to subsidiaries	186,087	(25,250)	(25,000)	135,837

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20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash and bank balances	**27,036**	22,562	**1,291**	407
Deposits with licensed banks	**25,323**	18,134	**–**	–
Total deposits, cash and bank balances	**52,359**	40,696	**1,291**	407
Less: Deposits maturing more than three (3) months	**(5,247)**	(4,834)	**–**	–
Total cash and cash equivalents at end of financial year	**47,112**	35,862	**1,291**	407

Cash and bank balances are deposits held at call with banks and earn no interest except for bank balances amounting to RM5.3 million (2020: RM2.8 million) that earn interest at 1.1% (2020: 1.6%) per annum.

The effective interest rates on deposits with licensed banks for the Group ranging from 1.7% to 1.8% (2020: 1.5% to 1.6%) per annum with original maturity dates ranging from 3 days to 365 days (2020: 3 days to 365 days).

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies are non-trade in nature, 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 (2020: 30 days to 120 days).

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23 OTHER PAYABLES

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Other payables	**150,457**	52,922	**17,588**	2,686
Accruals	**25,428**	17,627	**829**	977
	175,885	70,549	**18,417**	3,663

24 AMOUNT DUE FROM/(TO) IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company is non-trade in nature, 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.

25 GOVERNMENT GRANTS

	Group	
	2021 RM'000	**2020 RM'000**
At 1 January	**4,289**	4,630
Recognition during the financial year (Note 7(b))	**(340)**	(341)
At 31 December	**3,949**	4,289
Analysed as:		
– Current	**332**	341
– Non-current	**3,617**	3,948
	3,949	4,289

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.

NOTES TO THE FINANCIAL STATEMENTS
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26 BORROWINGS

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current					
Unsecured:					
– Bankers' acceptances		**543,979**	438,837	**–**	–
– Revolving credits	(a)	**25,700**	230,000	**17,000**	130,000
		569,679	668,837	**17,000**	130,000
Secured:					
– Hire purchase		**377**	435	**–**	–
		570,056	669,272	**17,000**	130,000
Non-current					
Unsecured:					
– Revolving credits	(a)	**282,299**	–	**116,000**	–
		282,299	–	**116,000**	–
Secured:					
– Term loan	(b)	**2,690**	–	**–**	–
– Hire purchase		**181**	337	**–**	–
		285,170	337	**116,000**	–
Total		**855,226**	669,609	**133,000**	130,000
Bankers' acceptances		**543,979**	438,837	**–**	–
Revolving credits		**307,999**	230,000	**133,000**	130,000
Term loan		**2,690**	–	**–**	–
Hire purchase		**558**	772	**–**	–
Total		**855,226**	669,609	**133,000**	130,000

(a) During the financial year ended 31 December 2021, certain revolving credits facilities of the Group and of the Company were restructured with revised repayment schedules as agreed with the respective banks. In accordance with the revised timing of contractual repayments, a portion of the borrowings has been reclassified as non-current.

(b) The Group's term loan is secured over the land of a subsidiary (see Note 12).

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26 BORROWINGS (CONTINUED)

Hire purchase liabilities

	Group	
	2021 RM'000	2020 RM'000
Minimum lease payments:		
– Payable within 1 year	**415**	505
– Payable between 1 to 5 years	**199**	377
	614	882
Less: Future finance charges	**(56)**	(110)
Present value of liabilities	**558**	772

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:

		Repayment terms				
	Effective interest rate at year end % per annum	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000
Group						
At 31 December 2021						
Bankers' acceptances	**3.48**	**543,979**	**–**	**–**	**–**	**543,979**
Revolving credits	**3.78**	**25,700**	**37,934**	**142,804**	**101,561**	**307,999**
Term loan	**4.14**	**–**	**269**	**1,614**	**807**	**2,690**
Hire purchase	**5.97**	**377**	**181**	**–**	**–**	**558**
		570,056	**38,384**	**144,418**	**102,368**	**855,226**
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
Company						
At 31 December 2021						
Revolving credits	**3.90**	**17,000**	**18,000**	**58,000**	**40,000**	**133,000**
At 31 December 2020						
Revolving credits	3.55	130,000	–	–	–	130,000

NOTES TO THE FINANCIAL STATEMENTS
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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:

	At 1 January 2021 RM'000	Net cash flows RM'000	Acquisition of PPE RM'000	Foreign exchange movements RM'000	At 31 December 2021 RM'000
Group					
Borrowings	**668,837**	**182,607**	**–**	**3,224**	**854,668**
Hire purchase liabilities	**772**	**(468)**	**217**	**37**	**558**
Total liabilities from financing activities	**669,609**	**182,139**	**217**	**3,261**	**855,226**

	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
Group					
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

	At 1 January 2021 RM'000	Net cash flows RM'000	Non-cash transactions RM'000	At 31 December 2021 RM'000
Company				
Borrowings	**130,000**	**3,000**	**–**	**133,000**

	At 1 January 2020 RM'000	Net cash flows RM'000	Non-cash transactions RM'000	At 31 December 2020 RM'000
Company				
Borrowings	50,000	80,000	–	130,000

Fair value

The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
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26 BORROWINGS (CONTINUED)

Currency profile

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	**708,323**	545,840	**133,000**	130,000
Indonesian Rupiah	**146,903**	123,769	**–**	–
	855,226	669,609	**133,000**	130,000

Undrawn borrowings facilities

The Group and the Company have the following undrawn borrowings facilities:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bankers' acceptances	**894,221**	294,263	**–**	–
Revolving credits	**100,001**	120,000	**50,000**	70,000
Term loan	**182,310**	–	**–**	–
Bank overdraft	**2,920**	2,860	**–**	–
	1,179,452	417,123	**50,000**	70,000

27 SHARE CAPITAL

	Company			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid-up ordinary shares with no par value:				
At 1 January	**261,706**	261,230	**153,339**	151,879
Issuance during the financial year arising from:				
– Long Term Incentive Plan	**286**	476	**712**	1,460
– bonus issue	**1,047,967**	–	**–**	–
At 31 December	**1,309,959**	261,706	**154,051**	153,339

NOTES TO THE FINANCIAL STATEMENTS
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28 SHARE RESERVES

(a) Option Plan

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Option Plan	**1,670**	1,461	**1,670**	1,461
Long Term Incentive Plan	**–**	535	**–**	221
	1,670	1,996	**1,670**	1,682

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 expired on 12 May 2021.

Subsequently, the Option Plan has been extended for a further period of 5 years from 13 May 2021 to 12 May 2026. The definition of eligible persons has been amended to include all employees of the Group (excluding foreign and dormant subsidiaries).

The extended Option Plan is to be granted to eligible persons over a period of 3 years. The First Tranche of the Option Plan was granted on 20 August 2021 and is to be exercised after 19 August 2022. The fair value and exercise price of each share option of the First Tranche are RM0.0988 and RM0.8433 respectively. 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 vesting and exercise dates. 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.

NOTES TO THE FINANCIAL STATEMENTS
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28 SHARE RESERVES (CONTINUED)

(a) Option Plan (continued)

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 2021 '000	2020 '000
At 1 January	**2,040**	8,040
Granted	**40,164**	–
Forfeited	**(2,847)**	(6,000)
At 31 December	**39,357**	2,040
Exercisable at 31 December	**–**	15,640

The fair value of the options granted in the current and previous financial years were accounted for in accordance with MFRS 2 "Share-based Payment" using the Black-Scholes and Binomial valuation model respectively. The significant inputs in the model are as follows:

	Options granted on 13 May 2016	Options granted on 20 August 2021
Fair value per option	RM0.71	**RM0.10**
Exercise price	RM5.04	**RM0.84**
Option life	5 years	**5 years**
Weighted average share price at grant date	RM5.60	**RM0.96**
Expected dividend yield	5.38%	**5.38%**
Risk free rate	3.49%	**3.25%**
Expected volatility	15.00%	**14.31%**

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 (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS
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28 SHARE RESERVES (CONTINUED)

(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 2021, no shares under LTIP were granted to Eligible Employees. The particulars of the shares granted in previous year under the LTIP is as follows:

	At grant date		Number of ordinary shares				
Date of grant	**Fair value**	**Market price**	**At 1.1.2021**	**Granted**	**Vested**	**Lapsed**	**At 31.12.2021**
17 May 2019	**2.42**	**2.49**	**293,000**	**–**	**(286,000)**	**(7,000)**	**–**

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 were no new shares granted.

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.

NOTES TO THE FINANCIAL STATEMENTS
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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:

		Group	
	Note	**2021 RM'000**	**2020 RM'000**
Deferred tax assets:			
– Deferred tax assets to be recovered after more than 12 months		**23,906**	38,284
– Deferred tax assets to be recovered within 12 months		**9,160**	12,121
		33,066	50,405
Deferred tax liabilities:			
– Deferred tax liabilities to be recovered after more than 12 months		**(20,780)**	(14,815)
– Deferred tax liabilities to be recovered within 12 months		**(572)**	(1,424)
		(21,352)	(16,239)
Deferred tax assets (net)		**11,714**	34,166
At 1 January		**34,166**	30,073
(Charged)/Credited to profit or loss:			
– property, plant and equipment		**(22,793)**	8,567
– provisions		**6,463**	(1,907)
– unutilised tax losses		**(8,331)**	(2,227)
– intangible assets		**1,257**	(107)
	9	**(23,404)**	4,326
Foreign exchange adjustments		**952**	(233)
At 31 December		**11,714**	34,166

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

29 DEFERRED TAXATION (CONTINUED)

	Group	
	2021 **RM'000**	**2020** **RM'000**
Subject to income tax		
Deferred tax assets (before offsetting):		
– property, plant and equipment	**396**	7,658
– provisions	**21,014**	13,599
– unutilised tax losses	**22,128**	30,459
	43,538	51,716
Offsetting	**(10,472)**	(1,311)
Deferred tax assets (after offsetting)	**33,066**	50,405
Deferred tax liabilities (before offsetting):		
– property, plant and equipment	**(30,776)**	(15,245)
– intangible assets	**(1,048)**	(2,305)
	(31,824)	(17,550)
Offsetting	**10,472**	1,311
Deferred tax liabilities (after offsetting)	**(21,352)**	(16,239)

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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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	
	2021 **RM'000**	**2020** **RM'000**	**2021** **RM'000**	**2020** **RM'000**
Unutilised tax losses	**58,100**	73,695	**37,977**	53,214
Unabsorbed capital allowances	**16**	90	**–**	74
Other deductible temporary difference	**16,263**	1,177	**16,263**	1,177
	74,379	74,962	**54,240**	54,465
Deferred tax assets not recognised at 24% (2020: 24%)	**17,851**	17,991	**13,018**	13,072

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses are imposed with a time limit of utilisation of 7 years. This time limit of utilisation was further extended to 10 years following the approval of Budget 2022. As at 31 December 2021, the amount of unutilised tax losses based on time limit is as follows (stated at gross):

Unutilised tax losses

	Expired by year				
Group	**2028** **RM'000**	**2029** **RM'000**	**2030** **RM'000**	**2031** **RM'000**	**Total** **RM'000**
At 31 December 2021					
Deferred tax assets are recognised	**48,434**	**14,135**	**11,922**	**17,710**	**92,201**
No deferred tax assets are recognised	**46,401**	**4,429**	**6,654**	**616**	**58,100**

	Expired by year			
Group	**2025** **RM'000**	**2026** **RM'000**	**2027** **RM'000**	**Total** **RM'000**
At 31 December 2020				
Deferred tax assets are recognised	78,249	22,280	26,383	126,912
No deferred tax assets are recognised	64,491	1,496	7,708	73,695

NOTES TO THE FINANCIAL STATEMENTS
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29 DEFERRED TAXATION (CONTINUED)

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses are imposed with a time limit of utilisation of 7 years. This time limit of utilisation was further extended to 10 years following the approval of Budget 2022. As at 31 December 2021, the amount of unutilised tax losses based on time limit is as follows (stated at gross): (continued)

Unutilised tax losses (continued)

Company		Expired by year		
	2028 RM'000	2029 RM'000	2030 RM'000	Total RM'000
At 31 December 2021				
No deferred tax assets are recognised	**29,328**	**2,998**	**5,651**	**37,977**

Company		Expired by year		
	2025 RM'000	2026 RM'000	2027 RM'000	Total RM'000
At 31 December 2020				
No deferred tax assets are recognised	44,565	2,998	5,651	53,214

The unabsorbed capital allowances and deductible temporary differences 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 2021 were signed on 22 December 2021 and 24 January 2022.

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

	Group	
	2021 RM'000	2020 RM'000
Present value of unfunded defined benefit obligations	**9,079**	10,259
Actuarial (losses)/gains recognised in the statements of comprehensive income	**(339)**	295
Cumulative actuarial (losses)/gains recognised	**(224)**	115

NOTES TO THE FINANCIAL STATEMENTS
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30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

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

	Group	
	2021 RM'000	2020 RM'000
At 1 January	**10,259**	9,999
Charged to profit or loss (Note 8)	**93**	1,711
Contributions paid during the financial year	**(1,926)**	(707)
Recognition of actuarial losses/(gains)	**339**	(295)
Foreign exchange adjustments	**314**	(449)
At 31 December	**9,079**	10,259

The amounts recognised in the profit or loss are as follows:

	2021	2020
Current service cost	**841**	969
Interest cost	**726**	742
Gain on settlement for past service cost	**(1,474)**	–
Total included in employee benefit expenses (Note 8)	**93**	1,711

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

	Group	
	2021 %	2020 %
Discount rate	**7.5**	7.6
Expected rate of salary increase	**5.5**	5.5

The weighted average duration of the defined benefit obligation is 18 years (2020: 18 years).

NOTES TO THE FINANCIAL STATEMENTS
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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**
2021			
Discount rate	**1.0%**	**Decrease by 8.2%**	**Increase by 9.4%**
Expected rate of salary increase	**1.0%**	**Increase by 9.4%**	**Decrease by 8.4%**
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%

The above sensitivity analysis is based on a change in an assumption whilst 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 LIABILITIES

(a) Contract liabilities

		Group	
	Note	**2021 RM'000**	**2020 RM'000**
RoyalePharma voucher	(i)	**304**	342
Contract with customers for supply of medical and non-medical equipment	(ii)	**6,225**	6,225
Contract with customers for supply of medicines	(iii)	**15,599**	–
		22,128	6,567

(i) RoyalePharma voucher		
At 1 January	**342**	162
Additions during the financial year	**1,456**	1,535
Recognition of income during the financial year	**(1,494)**	(1,355)
At 31 December	**304**	342
Analysed as:		
– Current	**304**	342

NOTES TO THE FINANCIAL STATEMENTS
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31 CONTRACT LIABILITIES (CONTINUED)

(a) Contract liabilities (continued)

(ii) The Group entered into a contract during the financial year ended 31 December 2018 to supply of medical and non-medical equipment. Contract is billed progressively in accordance with the agreed milestones as stipulated in the contract. 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 2021, no revenue was recognised in relation to this contract.

(iii) The Group entered into contracts with customers during the financial year for the supply of medicines. Advance payments were received from customers, however, revenue will only be recognised upon satisfaction of performance obligations through delivery of medicines to customers.

(b) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations arising from contract with customers.

	Group	
	2021 RM'000	**2020 RM'000**
Aggregate amount of transaction price allocated to contracts that are partially unsatisfied as at 31 December	**159,903**	144,342

Management expects that the unsatisfied contracts as at 31 December 2021 will be recognised as revenue over a period of 3 years, which is depending on the progress towards completing the performance obligations.

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.

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

Group	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
2021						
Revenue						
External sales	**2,276,190**	**1,645,746**	**893,079**	**–**	**–**	**4,815,015**
Inter-segment sales	**–**	**219,577**	**–**	**–**	**(219,577)**	**–**
Total revenue	**2,276,190**	**1,865,323**	**893,079**	**–**	**(219,577)**	**4,815,015**
Results						
Earnings before interest, taxation, depreciation and amortisation	**94,855**	**231,546**	**20,230**	**(4,377)**	**–**	**342,254**
Depreciation and amortisation	**(7,553)**	**(18,284)**	**(7,541)**	**–**	**–**	**(33,378)**
Finance costs	**(16,924)**	**(4,979)**	**(12,838)**	**–**	**1,417**	**(33,324)**
Interest income	**2,412**	**506**	**22**	**–**	**(1,417)**	**1,523**
Profit/(Loss) before zakat and taxation	**72,790**	**208,789**	**(127)**	**(4,377)**	**–**	**277,075**
Zakat	**(5,128)**	**(18,945)**	**–**	**–**	**–**	**(24,073)**
Taxation	**(15,815)**	**(63,752)**	**(1,230)**	**–**	**–**	**(80,797)**
Net profit/(loss) for the financial year	**51,847**	**126,092**	**(1,357)**	**(4,377)**	**–**	**172,205**

Group	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Elimination RM'000	Total RM'000
2021					
Other information					
Segment assets	**2,310,701**	**1,257,464**	**394,255**	**(1,704,557)**	**2,257,863**
Segment liabilities	**1,861,734**	**777,096**	**326,297**	**(1,177,705)**	**1,787,422**
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	**8,269**	**32,119**	**4,386**	**–**	**44,774**
Impairment of slow moving and obsolete inventories	**15,704**	**8,417**	**3,270**	**–**	**27,391**
Impairment loss on intangible assets	**–**	**4,844**	**–**	**–**	**4,844**
Share-based expenses	**697**	**1,037**	**–**	**–**	**1,734**
Non-cash expenses/(income)	**8,953**	**(1,038)**	**4,923**	**–**	**12,838**

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

Group	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
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

Group	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Elimination RM'000	Total RM'000
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

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING (CONTINUED)

(a) Geographical information

	Revenue from external customers RM'000	Total non-current assets excluding deferred tax assets RM'000
Geographical markets		
2021		
Malaysia	**3,913,475**	**558,848**
Indonesia	**893,079**	**44,755**
Other countries	**8,461**	**–**
	4,815,015	**603,603**
2020		
Malaysia	1,902,391	560,444
Indonesia	809,777	43,064
Other countries	12,903	–
	2,725,071	603,508

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 RM3.6 billion (2020: RM1.8 billion) are mainly derived from a single external customer. These revenues are attributable to both the Logistics and Distribution as well as the Manufacturing segments. 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 2021 RM'000	Group 2020 RM'000
Authorised and contracted for:		
– acquisition of property, plant and equipment	**66,950**	3,141
Authorised but not contracted for:		
– acquisition of property, plant and equipment	**295,020**	120,607

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 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
(a) Immediate holding company				
Expenses				
• Management fees	**(290)**	(299)	**(290)**	(299)
• Corporate and administrative support services	**(571)**	(345)	**–**	–

	Group 2021 RM'000	Group 2020 RM'000
(b) Subsidiaries of the immediate holding company		
Expenses		
• Travelling and accommodation	**(857)**	(373)
• Provision of insurance	**(467)**	(390)
• Freight forwarding and transportation services	**(14,992)**	(12,033)
• Rental of premises	**–**	(176)

NOTES TO THE FINANCIAL STATEMENTS
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34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Company 2021 RM'000	Company 2020 RM'000
(c) Subsidiaries		
Income		
• Interest income on advances to a subsidiary	**7,171**	–
• Dividend income from subsidiaries	**13,500**	25,000
• Management fees charged to subsidiaries	**35,653**	14,367
(d) Payment of expenses made on behalf:		
• by subsidiaries	**12,944**	17,124
• for subsidiaries	**(3,889)**	(1,942)

(e) Remuneration of key management personnel

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Salaries, bonuses and allowances	**9,625**	7,473	**9,566**	7,429
Social contribution costs	**12**	10	**12**	10
Defined contribution plan	**1,423**	970	**1,423**	970
Estimated monetary value of benefits by way of usage of Group assets	**221**	157	**221**	157
Share-based expenses	**162**	951	**162**	951
Fees	**1,042**	1,004	**824**	808
	12,485	10,565	**12,208**	10,325

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.

On 16 March 2011, Pharmaniaga Logistics Sdn. Bhd. ("PLSB"), a wholly-owned subsidiary has entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health, Malaysia ("MOH") for a period of ten (10) years expiring on 30 November 2019, for the right and authority to purchase, store, supply and distribute the Approved Products (i.e. drugs and non-drugs approved by MOH) to the Public Sector Customers (i.e. Government hospital, health office, health clinic, dental clinic, or any health institution or other similar facility within Malaysia which is operated and controlled by the MOH and as determined by the MOH from time to time) 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 ("Interim Period"). In addition, the Group also secured a contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending 30 November 2024.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Government-related entities (continued)

On 28 December 2021, MOH issued an extension letter to PLSB to further extend the Interim Period by one year up to 31 December 2022. The other terms and conditions, including the 5-year extension in respect of logistics and distribution services, remains in place with no further changes.

Subsequently, on 6 January 2022, MOH issued another letter stating its agreement in principle to enter into a 10-year concession agreement with PLSB for the procurement of drugs and medical supplies as well as logistics and distributions of Approved Products. This 10-year concession agreement will supersede existing concessions arrangements upon its execution, including the Interim Period for the procurement of drugs and medical supplies ending 31 December 2022 and the logistics and distributions services up to 30 November 2024.

	Group 2021 RM'000	Group 2020 RM'000
Sale of goods to Government-related entities	**3,584,324**	1,795,476
Amounts due from Government-related entities	**44,562**	45,049

(g) Significant outstanding balances

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

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Amounts due from				
– Immediate holding company	**–**	7	**–**	–
– Subsidiaries	**–**	–	**243,306**	111,662
– Related companies	**31**	35	**–**	–
Amounts due to				
– Immediate holding company	**1,208**	74	**1,096**	35
– Subsidiaries	**–**	–	**303,413**	135,837
– Related companies*	**4,890**	2,977	**44**	–

* The related companies are subsidiaries of the immediate holding company and are included in Note 21.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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 its overall business strategies, its tolerance to risk and 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 2021, if the functional currency had weakened/strengthened by 5% (2020: 5%) against EURO with all other variables held constant, post tax profit for the financial year would have been lower/higher by RM55,000 (2020: post tax profit lower/higher by RM47,000) mainly as a result of foreign exchange losses/gains on translation of EURO denominated trade receivables and trade payables.

As at 31 December 2021, if the functional currency had weakened/strengthened by 5% (2020: 5%) against US Dollar with all other variables held constant, post tax profit for the financial year would have been lower/higher by RM46,000 (2020: post tax profit lower/higher by RM172,000) mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated trade payables, other payables, trade receivables as well as deposits, cash and bank balances.

As at 31 December 2021, if the functional currency had weakened/strengthened by 5% (2020: 5%) against RMB with all other variables held constant, post tax profit for the financial year would have been higher/lower by RM204,000 (2020: post tax profit higher/lower 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 2021, if the functional currency had weakened/strengthened by 5% (2020: 5%) against the IDR with all other variables held constant, the impact on equity would have been approximately higher/lower by RM2,687,000 (2020: RM2,757,000) on translation upon consolidation. There is 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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:

		2021	
	RMB RM'000	**US Dollar RM'000**	**Euro RM'000**
Trade receivables	**–**	**3,430**	**–**
Deposits, cash and bank balances	**5,369**	**13**	**–**
Trade payables	**–**	**(4,128)**	**(920)**
Other payables	**–**	**(515)**	**(526)**
	5,369	**(1,200)**	**(1,446)**

		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)

(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 2021, if interest rates on Ringgit Malaysia denominated borrowings of the Group and of the Company had been 50 (2020: 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 RM2,101,000 (2020: post tax profit higher/lower by RM2,260,000) and RM258,000 (2020: RM583,000) respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2021, if interest rates on Indonesian Rupiah denominated borrowings of the Group had been 50 (2020: 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 RM514,000 (2020: post tax profit higher/lower by RM536,000) respectively, mainly as a result of lower/higher interest expense.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk

(i) Risk management

Each 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 a 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, deposits, cash and bank balances 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 measure 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.

On that basis, during the financial year ended 31 December 2021, the Group recognised loss allowance of RM4,212,000 (2020: RM3,868,000) for receivables that are past due by 3 months and above.

The Group is exposed to concentration of credit risk in respect to Government-linked companies ("GLCs") of which the Group considers that 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 contractual cash flow obligations in the near term.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Trade receivables (continued)

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 2021						
Gross carrying amount	**170,511**	**17,677**	**34,491**	**16,170**	**2,510**	**241,359**
Expected loss rate	**0.0%**	**0.6%**	**0.4%**	**66.5%**	**100.0%**	**5.6%**
Loss allowance	**–**	**(103)**	**(139)**	**(10,758)**	**(2,510)**	**(13,510)**
Carrying amount (net of loss allowance)	**170,511**	**17,574**	**34,352**	**5,412**	**–**	**227,849**
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

The reconciliation of loss allowance for trade receivables is disclosed in Note 17.

Other receivables and amounts due from subsidiaries

With the exception of specific debtors identified as credit impaired and assessed individually, 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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk

Cash flow forecasting is performed for 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 Company's current liabilities exceeded their current assets by RM243,762,000 (2020: RM183,661,000), the Directors are of the view that both 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 (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) and will not reconcile to the amounts disclosed on the statements of financial position.

	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 2021				
Borrowings	**485,932**	**100,404**	**108,876**	**215,096**
Lease liabilities	**529**	**746**	**549**	**–**
Trade payables	**677,633**	**–**	**–**	**–**
Other payables	**175,885**	**–**	**–**	**–**
Amount due to immediate holding company	**1,208**	**–**	**–**	**–**
Amounts due to related companies	**4,890**	**–**	**–**	**–**
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	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

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
Company				
Financial liabilities at amortised cost				
At 31 December 2021				
Borrowings	**–**	**21,952**	**43,885**	**86,924**
Other payables	**18,417**	**–**	**–**	**–**
Amount due to immediate holding company	**1,096**	**–**	**–**	**–**
Amounts due to related companies	**44**	**–**	**–**	**–**
Amounts due to subsidiaries	**303,413**	**–**	**–**	**–**
At 31 December 2020				
Borrowings	130,401	–	–	–
Other payables	3,663	–	–	–
Amount due to immediate holding company	35	–	–	–
Amounts due to subsidiaries	135,837	–	–	–

(d) Financial instruments by category

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at amortised cost				
Trade receivables	**227,849**	237,411	**–**	–
Other receivables (net of GST/VAT recoverable and prepayments)	**8,762**	4,144	**29**	17
Deposits, cash and bank balances	**52,359**	40,696	**1,291**	407
Amounts due from subsidiaries	**–**	–	**243,306**	111,662
Amount due from immediate holding company	**–**	7	**–**	–
Amounts due from related companies	**31**	35	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) Financial instruments by category (continued)

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial liabilities at amortised cost				
Borrowings	**855,226**	669,609	**133,000**	130,000
Lease liabilities	**1,634**	2,141	**–**	–
Trade payables	**677,633**	441,562	**–**	–
Other payables	**175,885**	70,549	**18,417**	3,663
Amount due to immediate holding company	**1,208**	74	**1,096**	35
Amounts due to related companies	**4,890**	2,977	**44**	–
Amounts due to subsidiaries	**–**	–	**303,413**	135,837

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 as well as 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.

The gearing ratios are as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Total borrowings (Note 26)	**855,226**	669,609	**133,000**	130,000
Total equity attributable to equity holders of the Company	**450,462**	337,528	**382,236**	437,739
Gearing ratio (times)	**1.9**	2.0	**0.3**	0.3

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2021

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

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 consolidated net worth of the Group must not be less than RM336.0 million;
- The consolidated Finance Service Cover Ratio, calculated as ratio of cumulative available cash flows to interest expense and current portion of long-term borrowings, must not be less than 1.25;
- The consolidated Debt Service Coverage Ratio, calculated as ratio of earnings before interest, taxation, depreciation and amortisation ("EBITDA") to interest expense, must not be less than 1.5;
- The consolidated tangible net worth of the Group must not be less than RM149.9 million;
- The tangible net worth of subsidiary Pharmaniaga Manufacturing Berhad must not be less than RM139.0 million;
- The current ratio, calculated as ratio of current assets to current liabilities, of subsidiary PT Millennium Pharmacon International Tbk ("MPI") must not be less than 1.1;
- The interest-bearing debt over equity ratio of Indonesian subsidiaries must not be less than 3;
- The Debt Service Coverage Ratio of MPI must not be less than 1.25; and
- The gearing ratio, calculated as ratio of total borrowings to total equity, of Indonesian subsidiaries must not be less than 3.

In the previous financial year, the interest-bearing debt over equity ratio of a subsidiary, PT Errita Pharma exceeded the covenant threshold of 3 and a waiver from the bank for compliance was obtained as at 31 December 2020. This covenant was in respect of borrowings amounting to RM13.9 million. On 19 October 2021, the covenant was subsequently amended by the bank to also include intercompany payables as part of equity calculation. With this amendment, the ratio of the subsidiary has reduced to less than 3.

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 2021

36 SIGNIFICANT EVENTS

On 28 December 2021, Ministry of Health, Malaysia ("MOH") issued an extension letter to Pharmaniaga Logistics Sdn. Bhd. ("PLSB") to further extend its services for the provision of medicine and medical supplies to MOH facilities under the interim period of twenty-five (25) months, commencing from 1 December 2019 to 31 December 2021, by one year up to 31 December 2022. The other terms and conditions, including the 5-year extension in respect of logistics and distribution services up to 30 November 2024, remains in place with no further changes.

Subsequently, on 6 January 2022, MOH issued another letter stating its agreement in principle to enter into a 10-year concession agreement with PLSB for the procurement of drugs and medical supplies as well as logistics and distributions of Approved Products. This 10-year concession agreement will supersede existing concession arrangement upon its execution, including the Interim Period for the procurement of drugs and medical supplies and the logistics and distributions services ending 31 December 2022 and up to 30 November 2024 respectively.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 March 2022.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	%	No. of Shares	%
LESS THAN 100	545	2.54	11,757	0.01
100 TO 1,000	2,894	13.47	1,855,225	0.14
1,001 TO 10,000	11,497	53.51	60,531,170	4.62
10,001 TO 100,000	5,907	27.50	183,567,381	14.01
100,001 TO LESS THAN 5% OF ISSUED SHARES	639	2.97	271,958,232	20.76
5% AND ABOVE OF ISSUED SHARES	2	0.01	792,034,895	60.46
TOTAL	**21,484**	**100.00**	**1,309,958,660**	**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	679,152,075	51.85
2	LEMBAGA TABUNG ANGKATAN TENTERA	112,882,820	8.62
3	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	18,860,715	1.44
4	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DASAR TECHNOLOGIES SDN BHD (CTS-DTS0002C)	9,750,000	0.74
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEW U SING	7,250,000	0.55
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)	5,850,000	0.45
7	PUBLIC GOLD MARKETING SDN BHD	4,500,000	0.34
8	YONG SIEW YOON	4,056,820	0.31
9	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (M)	3,601,200	0.27
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN (TJJ/KEN)	3,499,000	0.27
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAW KIM HOCK (E-PPG)	3,323,900	0.25
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM (8061712)	3,090,500	0.24

ANALYSIS OF SHAREHOLDINGS

TOP 30 LARGEST SHAREHOLDERS (CONT'D)

(as per the register of Depositors)

13	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CELESTE RESOURCES SDN BHD (M)	3,001,400	0.23
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. YAYASAN LTAT	2,981,000	0.23
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HELINA SHANTI SOLOMON (7001761)	2,889,700	0.22
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (8041850)	2,800,000	0.21
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	2,631,300	0.20
18	DEVA DASSAN SOLOMON	2,581,070	0.20
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,521,965	0.19
20	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	2,488,500	0.19
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GUNASEKAR A/L VEERAPPAN	2,250,000	0.17
22	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (MY1091)	2,011,600	0.15
23	LEONG POH HOONG	2,000,000	0.15
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CELESTE ASSETS SDN BHD	2,000,000	0.15
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MIDF ABSR EQ)	1,961,000	0.15
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TENG CHI LIK (E-PDG)	1,800,000	0.14
27	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	1,729,545	0.13
28	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	1,666,600	0.13
29	MOHAMMAD YASID BIN AHMAD	1,651,800	0.13
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KOK WENG (MY2166)	1,500,000	0.12
	TOTAL	**896,282,510**	**68.42**

SUBSTANTIAL SHAREHOLDERS

(as per the Register)

		No. of Shares Held	
		Direct	**%**
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	679,152,075	51.85
2	LEMBAGA TABUNG ANGKATAN TENTERA	112,882,820	8.62

DIRECTORS' SHAREHOLDINGS

(as per the Register)

		No of Shares Held in Pharmaniaga Berhad	
		Holdings	**%**
1	DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE	–	–
2	DATUK ZULKARNAIN MD EUSOPE	–	–
3	ZULKIFLI JAFAR	–	–
4	DATO' SRI MOHAMMED SHAZALLI RAMLY	–	–
5	YB SENATOR DATUK DR. HAJI AZHAR AHMAD	–	–
6	DATO' DR. NAJMIL FAIZ MOHAMMED ARIS	–	–
7	DR. ABDUL RAZAK AHMAD	–	–
8	IZADDEEN DAUD	–	–
9	SARAH AZREEN ABDUL SAMAT	–	–

GROUP PROPERTY LIST

AS AT 31 DECEMBER 2021

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 31/12/2021 (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	27	22,463	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	24	13,296	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	7	3,071	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	7	1,779	3 October 2014
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	6	20,333	9 September 2015

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 31/12/2021 (RM'000)	Date of Revaluation/ Acquisition
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	21	50,289	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	36	11,927	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	25	5,494	3 November 2004
Country Lease 015377554 Kota Kinabalu Sabah **Industrial Premises:** Lorong Kurma Kolombong Industrial Centre KM 9 Off Jalan Tuaran 88450 Kolombong Kota Kinabalu, Sabah	A parcel of industrial land with a 2-storey office, warehouse and a guard house	7,851	Leasehold of 66 years, expiring on 21 December 2033	19	2,670	21 January 2002

GROUP PROPERTY LIST

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 31/12/2021 (RM'000)	Date of Revaluation/ Acquisition
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 1½ semi-detached warehouses with office	2,175	Freehold	24	857	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	28	*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 year, expiring on 31 March 2095	28	*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	35	*0	4 September 1987
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	35	*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 31/12/2021 (RM'000)	Date of Revaluation/ Acquisition
Lot 011111, 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	44	14,071	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	25	25,137	1 June 2009
Blok D, 20 & 21 Ruko Grand Mal Bekasi Jakarta Indonesia	Shop lots	453	Freehold 23 years to 2 June 2036	19	44	13 October 2003
Blok D 19 Ruko Grand Mal Bekasi Jakarta Indonesia	Shop lots	204	Freehold	4	403	14 November 2017
Jalan Depsos 67 – 70 Bintaro Jaksel Jakarta Indonesia	Office and warehouse	1,860	Freehold 30 years to 7 July 2028	22	882	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan 152 Surabaya Indonesia	Office and warehouse	1,133	Leasehold 5 years to 24 July 2026	40	57	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	5	892	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 substation	16,492	Leasehold of 30 years to 01 October 2043	37	7,633	8 May 1994

* Below RM500

pharmaniaga®

FINANCIAL STATEMENTS

GROUP CORPORATE DIRECTORY

LIST OF COMPANIES

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

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

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

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

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

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

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

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

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 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

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

Pharmaniaga LifeScience Sdn Bhd
Lot 7, Jalan PPU 3
Taman Perindustrian Puchong Utama
47100 Puchong
Selangor Darul Ehsan
Tel : +603-8061 2006
Fax : +603-8061 2875

Pharmaniaga Logistics Sdn Bhd
(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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting (AGM) of Pharmaniaga Berhad will be conducted entirely through live streaming from the broadcast venue at Royale Chulan Damansara, 2A Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 13 June 2022 at 9.30 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 2021 together with the Reports of the Directors and Auditors. **(Please refer to Explanatory Note 1)**

1. To re-elect the following Directors who retire in accordance with Article 117 of the Company's Constitution, and being eligible, offers themselves for re-election:
   i. Dato' Dr. Najmil Faiz Mohamed Aris **Resolution 1**
   ii. YB Senator Datuk Dr. Haji Azhar Ahmad **Resolution 2**
   iii. Zulkifli Jafar **Resolution 3**
2. To re-elect the following Directors who retire in accordance with Article 123 of the Company's Constitution:
   i. Datuk Seri Zainal Abidin Mohd Rafique **Resolution 4**
   ii. Sarah Azreen Abdul Samat **Resolution 5**
3. To approve payment of Directors' fees and meeting allowances for Pharmaniaga Berhad from 14 June 2022 until the conclusion of the next AGM of the Company. **Resolution 6**
4. To approve payment of meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Malaysia from 14 June 2022 until the conclusion of the next AGM of the Company. **Resolution 7**
5. To approve payment of Directors' fees and meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Indonesia from 14 June 2022 until the conclusion of the next AGM of the Company. **Resolution 8**
6. To approve the payment of benefits in kind payable to the Chairman and Directors from 14 June 2022 until the conclusion of the next AGM of the Company: **Resolution 9**

Description	Chairman's Benefits	Board Members
Benefits in kind	Company car, driver, unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance	Company car, driver (on a need basis), unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance

7. To approve payment of RM110,000 being the Directors' benefits in kind from 17 June 2021 to 12 June 2022 **Resolution 10**
8. 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 11**

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

9. **ORDINARY RESOLUTION** **Resolution 12**

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."

10. **ORDINARY RESOLUTION** **Resolution 13**

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 16 June 2021, 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 29 April 2022, 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."

11. 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) SSM PC No. 202008002336
SYARUZAIMI YUSOF (LS0010451) SSM PC No. 202008002335
Secretaries

Kuala Lumpur
29 April 2022

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 5 – Proposed Re-election of Directors in accordance with Article 117 and Article 123 of the Company's Constitution

Article 117 of the Company's Constitution provides amongst others that at least one third of the Directors who are subject to the retirement by rotation or, if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office provided always that all Directors shall retire from office once at least every three (3) years and shall be eligible for re-election.

Directors who are standing for re-election pursuant to Article 117 of the Company's Constitution are as follows:

i. Dato' Dr. Najmil Faiz Mohamed Aris
ii. YB Senator Datuk Dr. Haji Azhar Ahmad
iii. Zulkifli Jafar

The Nominating and Remuneration Committee ("NRC") has accessed the criteria and contribution of Dato' Dr. Najmil Faiz Mohamed Aris, YB Senator Datuk Dr. Haji Azhar Ahmad and Zulkifli Jafar and recommended for their re-election. The Board endorsed the NRC's recommendation that Dato' Dr. Najmil Faiz Mohamed Aris, YB Senator Datuk Dr. Haji Azhar Ahmad and Zulkifli Jafar be re-elected as Directors of the Company.

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. Datuk Seri Zainal Abidin Mohd Rafique
ii. Sarah Azreen Abdul Samat

The profiles of the Directors who are standing for re-election are set out on pages 126, 128, 130, 131, and 134 of the Integrated Report, whilst details of their interests in securities are set out on page 287 of the Integrated Report.

3. Ordinary Resolutions 6, 7 and 8 – 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 14 June 2022 until the conclusion of the next AGM of the Company in three separate resolutions as set out below:

Ordinary Resolution 6 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	30,000	1,500
	Member	20,000	1,000
Other Board Committees	Chairman	5,000	1,500
	Member	3,000	1,000

Ordinary Resolution 7 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 8 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	48,000	1,500
	Member	30,000	1,000
PT Millennium Pharmacon International Tbk	Member	30,000	1,000

NOTICE OF ANNUAL GENERAL MEETING

4. **Ordinary Resolutions 9 and 10 – 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 9 seeks approval for payment of benefits in kind payable to the Chairman and Directors of Pharmaniaga Berhad from 14 June 2022 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	Company car, driver, unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance	Company car, driver (on a need basis), unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance

   Ordinary Resolution 10 seeks approval for payment of RM110,000 being the Directors' benefits in kind from 17 June 2021 to 12 June 2022.

5. **Ordinary Resolution 11 – 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-Fourth AGM.

6. **Explanatory Notes to Special Business**

   a) **Ordinary Resolution 12 – Authority for Directors to Allot and Issue Shares**

      Ordinary Resolution 12, 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-Third AGM held on 16 June 2021, the mandate of which will lapse at the conclusion of the Twenty-Fourth AGM to be held on 13 June 2022. However, up to 1,047,966,928 new shares in the Company on the basis of 4 bonus shares for every 1 existing ordinary share in the Company were issued and up to 3,000,000 options and up to 500,000 shares were granted to Datuk Zulkarnain Md Eusope pursuant to Shareholders' approval granted at the Extraordinary General Meeting held on 16 June 2021, in relation to the Share Scheme.

   b) **Ordinary Resolution 13 – Recurrent Related Party Transactions**

      Ordinary Resolution 13, 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 29 April 2022.

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 31 May 2022. 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 hard copy 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 Saturday, 11 June 2022 at 9.30 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.

ADMINISTRATIVE NOTES

FOR THE TWENTY-FOURTH ANNUAL GENERAL MEETING OF PHARMANIAGA BERHAD

Date & Time	:	Monday, 13 June 2022 at 9.30 a.m.
Broadcast Venue	:	Royale Chulan Damansara, 2A Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
Meeting Platform	:	TIIH Online website at **https://tiih.online**

Precautionary Measures Against the Coronavirus Disease ("COVID-19")

- In line with the Government's directive and SC Guidance Note to curb the spread of COVID-19, the Company will conduct the 24th Annual General Meeting ("AGM") on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("Tricor") **TIIH Online** website at **https://tiih.online**.
- 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 of the meeting. **No shareholders/proxy(ies) from the public will be physically present at the meeting venue.**
- We **strongly encourage** you to attend the AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our AGM at short notice. Kindly check the Company's website or announcements for the latest updates on the status of the AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

Remote Participation and Voting

- The RPV facilities are available on Tricor's **TIIH Online** website at **https://tiih.online**.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the AGM using the RPV facilities:

Before the AGM Day

Procedure	Action
i. Register as a user with TIIH Online	• Using your computer, access the website at **https://tiih.online**. Register as a user under the "e-Services", select the "Sign Up" button and followed by "**Create Account by Individual Holder**". Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via e-mail. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend AGM remotely	• Registration is open from Friday, 29 April 2022 until the day of AGM on Monday, 13 June 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV. • Login with your user ID (i.e. email address) and password and select the corporate event: "**(REGISTRATION) PHARMANIAGA 24TH AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an **email to notify** that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 31 May 2022, the system will send you an **e-mail on or after 11 June 2022 to approve or reject** your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*

On the AGM Day

Procedure	Action
i. Login to TIIH Online	• Login with your user ID and password for remote participation at the AGM at any time from 8.30 a.m. i.e. 1 hour before the commencement of meeting at 9.30 a.m. on Monday, 13 June 2022.
ii. Participate through Live Streaming	• Select the corporate event: "**(LIVE STREAM MEETING) PHARMANIAGA 24TH AGM**" to engage in the proceedings of the AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii. Online remote voting	• Voting session commences from 9.30 a.m. on Monday, 13 June 2022 until a time when the Chairman announces the end of the session. • Select the corporate event: "**(REMOTE VOTING) PHARMANIAGA 24TH AGM**" or if you are on the live stream meeting page, you can select "**GO TO REMOTE VOTING PAGE**" button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
iv. End of remote participation	• Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

Note to users of the RPV facilities:

1. *Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.*
2. *The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.*
3. *In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to **tiih.online@my.tricorglobal.com** for assistance.*

ADMINISTRATIVE NOTES

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 31 May 2022 shall be eligible to attend, speak and vote at the AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.

- In view that the AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.

- If you wish to participate in the AGM yourself, please do not submit any Form of Proxy for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Saturday, 11 June 2022** at **9.30 a.m**:

(i) In Hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	• Using your computer, please access the website at **https://tiih.online**. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of proxy form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "**PHARMANIAGA 24TH AGM - SUBMISSION OF PROXY FORM**". • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(s) appointment. • Print the proxy form for your record.

Procedure	Action
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	• Access TIIH Online at **https://tiih.online**. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the "Sign Up" button and followed by "**Create Account by Representative of Corporate Holder**". • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified via email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. *(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)*
Proceed with submission of proxy form	• Login to TIIH Online at **https://tiih.online**. • Select the corporate event name: "**PHARMANIAGA 24TH AGM - SUBMISSION OF PROXY FORM**". • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate event name: "**PHARMANIAGA 24TH AGM – SUBMISSION OF PROXY FORM**". • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

ADMINISTRATIVE NOTES

Voting at Meeting

- The voting at the AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Company has appointed Tricor to conduct the poll voting electronically ("e-voting") via Tricor e-Vote application ("Tricor e-Vote App").
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the AGM at 9.30 a.m. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

Results of the voting

- The resolutions proposed at the AGM and the results of the voting will be announced at the AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

Door Gift or Food Voucher

- There will be no door gifts or food vouchers for attending the AGM.

No Recording or Photography

- Unauthorised recording and photography are strictly prohibited at the AGM.

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at **https://tiih.online**, by selecting "e-Services" to login, post your questions and submit it electronically no later than **Saturday, 11 June 2022** at **9.30 a.m.** The Board of Directors will endeavour to address the questions received at the AGM.

Enquiry

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

PROXY FORM

pharmaniaga®
Co. Reg. No.199801011581
(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-Fourth Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Royale Chulan Damansara, 2A Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 13 June 2022 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No	Resolution	Ordinary	For	Against
1	Re-election of Dato' Dr. Najmil Faiz Mohamed Aris	Resolution 1		
2	Re-election of YB Senator Datuk Dr. Haji Azhar Ahmad	Resolution 2		
3	Re-election of Zulkifli Jafar	Resolution 3		
4	Re-election of Datuk Seri Zainal Abidin Mohd Rafique	Resolution 4		
5	Re-election of Sarah Azreen Abdul Samat	Resolution 5		
6	Approval of Directors' fees and meeting allowances for Pharmaniaga Berhad from 14 June 2022	Resolution 6		
7	Approval of meeting allowances to Directors' for directorship in Pharmaniaga Berhad subsidiaries in Malaysia from 14 June 2022	Resolution 7		
8	Approval of Directors' fees and meeting allowances to Directors' for directorship in Pharmaniaga Berhad subsidiaries in Indonesia from 14 June 2022	Resolution 8		
9	Approval of payment of Chairman and Directors' benefits in kind from 14 June 2022	Resolution 9		
10	Approval of payment of Director's benefits in kind from 17 June 2021 until 12 June 2022	Resolution 10		
11	Re-appointment of Messrs. PricewaterhouseCoopers PLT as Auditors	Resolution 11		
12	Approval for Directors to allot and issue shares	Resolution 12		
13	Renewal of shareholders' Mandate for Recurrent Related Party Transactions	Resolution 13		

Dated this ____________ day of ____________ 2022.

____
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 31 May 2022. 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 hard copy 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 Saturday, 11 June 2022 at 9.30 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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