pharmaniaga®

(A member of Boustead Group)

REBUILDING FOR A STRONGER FUTURE

INTEGRATED REPORT 2022

25th

Annual General Meeting

Online Platform:
TIIH Online Website at
https://tiih.online with Remote
Participation and Voting Facilities

Broadcast Venue:
Amphitheatre
Level 23, The Bousteador
No. 10 Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya

Date
Monday, 12 June 2023

Time
2.30 p.m.

Online report is available at

www.pharmaniaga.com

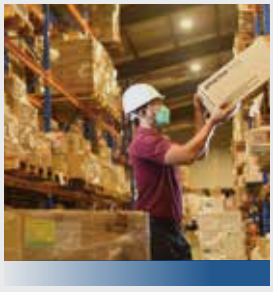
INSIDE THIS REPORT

PHARMANIAGA BERHAD
INTEGRATED REPORT 2022

OVERVIEW	**04**
KEY MESSAGES	**24**
VALUE CREATION	**40**
MANAGEMENT DISCUSSION AND ANALYSIS	**52**
LEADERSHIP	**92**
GOVERNANCE	**116**
SUSTAINABILITY STATEMENT	**148**
FINANCIAL STATEMENTS	**186**
SHAREHOLDINGS STATISTICS	**317**
GROUP PROPERTY LIST	**319**
GROUP CORPORATE DIRECTORY	**325**

Chairman's Statement

Executive Committee's Statement



Business Review

Leadership

Sustainability Statement

INTEGRATED REPORT 2022

COVER RATIONALE

Pharmaniaga is unyielding in our commitment to overcome challenges, rebuild our operations and prepare ourselves for a stronger future.

We have implemented a range of strategic initiatives aimed at enhancing operational resilience, agility, and efficiency, including investment in digital technologies, supply chain optimisation, and the expansion of our product portfolio.

Our growth-oriented strategy is focused on resilience, innovation, and long-term success. By building on this strong foundation, we are well-positioned to emerge as a leader in the healthcare industry, delivering value to stakeholders and contributing to the advancement of healthcare in Malaysia and beyond.

ABOUT THIS REPORT

Pharmaniaga Berhad's 2022 Integrated Report (IR) marks the second year of disclosing our financial and non-financial performance in an integrated reporting format. The decision to reinvent our reporting process is underpinned by Boustead Group's Reinventing Boustead Strategy.

Our 2022 IR has been developed to help stakeholders better understand what we do, why we do it, how we do it, and the risks and opportunities we face in accomplishing our objectives. Our ultimate goal is to define how we intend to generate value in the short, medium and long-term.

We have utilised icons and links throughout the report for convenience of navigation.

SCOPE AND BOUNDARY OF REPORTING

Unless otherwise noted, this year's IR is based on activities, initiatives and important events that occurred during the reporting period of 1 January 2022 to 31 December 2022. The Report, which is guided by the Malaysian Financial Reporting Standards (MFRS), covers all Pharmaniaga firms in which we have a majority stake and significant influence.

MATERIALITY

As assessed by our Board of Directors, in consultation with the Management, the topics covered in this report are those that have a meaningful impact on our ability to create value and fulfil our primary purpose. These material challenges have been identified after taking into account external circumstances, the needs, expectations and concerns of our primary stakeholders as well as our business strategy.

COMBINED ASSURANCE

The report has been read in its entirety and approved by the Board of Directors and Management. Our external auditors, Messrs. PricewaterhouseCoopers PLT, have provided assurance on the financial statements, and SIRIM QAS International Sdn Bhd have confirmed the accuracy of the Sustainability Report.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements concerning future performance. Such statements are based on current assumptions and circumstances that may change; hence, they inherently involve uncertainty. A variety of factors could cause actual results to differ significantly from those expressed or implied by these forward-looking statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board recognises the critical responsibility they are charged with in safeguarding the integrity of Pharmaniaga's 2022 IR. This IR, in our opinion, accurately assesses the Group's performance and addresses all significant matters affecting the Group's ability to generate value for the fiscal year under review.

REPORTING FRAMEWORK

The preparation of our 2022 Integrated Report has been undertaken in strict accordance with the principles and requirements of:

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
4. Malaysia Companies Act 2016 (CA 2016)
5. Bursa Malaysia Sustainability Guide (3rd Edition)
6. International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
7. Global Reporting Initiative (GRI) Standards 2021
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
12. FTSE4Good ESG Indicators
13. Task Force on Climate-related Financial Disclosures (TCFD)
14. Sustainability Accounting Standards Board (SASB)

This Report shall be read together with our standalone Sustainability Report 2022 online at
www.pharmaniaga.com

NAVIGATION ICONS

6 CAPITALS

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

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

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

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

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

STAKEHOLDER GROUPS

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

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

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

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

KEY RISKS

Financial Risk
The risk relates with losing money on a business or investment decision mainly attributed by credit and liquidity management

Business Risk
A number of risks that 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

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

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

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

7 STRATEGIC PILLARS

- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare for Sustainable Growth
- Develop Biopharmaceutical Capabilities
- Grow Pharmaniaga Household Brand 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

MATERIAL MATTERS

1. Business Continuity
2. Technology & Innovation
3. Customer Satisfaction
4. Sustainable Products & Services
5. Corporate Governance & Business Ethics
6. Environmental Compliance
7. Resource Efficiency
8. Greenhouse Gas & Climate Change
9. Talent Management
10. Health & Safety
11. Supporting Local Businesses
12. Corporate Responsibility

SUSTAINABILE 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.

OVERVIEW OF PHARMANIAGA

Who We Are	06
Vision	Mission	Values	06
Group Structure	08
Our Strengths	09
Where We Operate	10
What We Do	12
2022 Key Highlights	16
• Financial Highlights	16
• Business Highlights	16
• Sustainability Highlights	18
Standards & Certifications	20
Awards & Recognition	21
2022 Corporate Milestones	22

SECTION 01

BADRUL

OVERVIEW OF PHARMANIAGA

WHO WE ARE

Established in 1994, Pharmaniaga has evolved to become one of Malaysia's largest listed integrated pharmaceutical groups. Our participation in the sector spans across the pharmaceutical value chain from research and development to the production of generic drugs, over-the-counter medicines, logistics and distribution, sales and marketing.

Already a formidable player in the domestic market, we continue to explore the strategic expansion of our international reach.

VISION

The preferred pharmaceutical brand in regional markets

MISSION

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

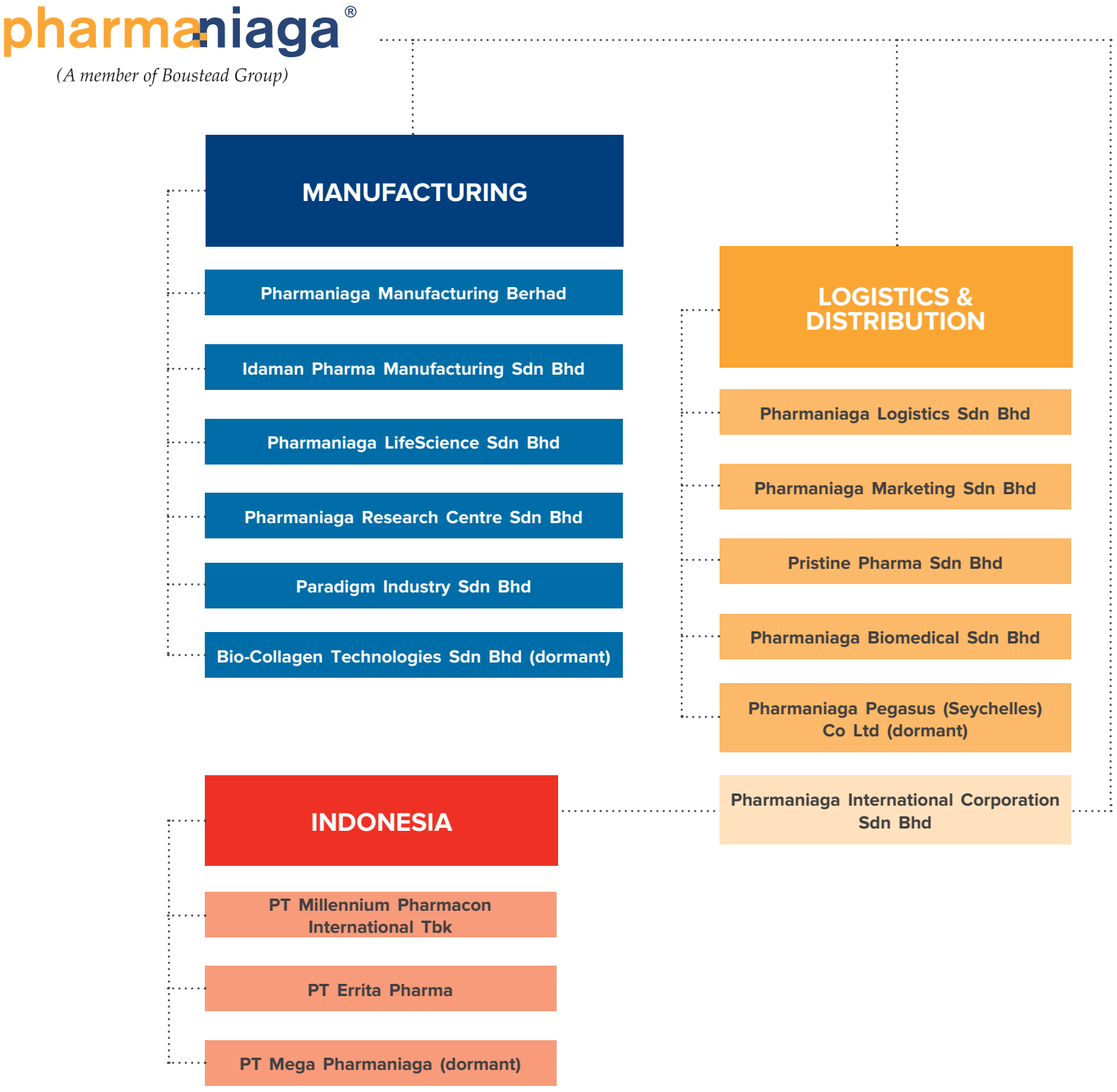
VALUES

CREATIVITY

INTEGRITY

INNOVATION

GROUP STRUCTURE



Note: Please refer to page 319 for the comprehensive list of companies within the Group

OUR STRENGTHS

Malaysia's largest integrated pharmaceutical company, featuring 29 years of expertise in an evolving ecosystem

Spanning Malaysia and Indonesia, Pharmaniaga's pharmaceutical-grade supply chain is supported by a comprehensive logistics infrastructure

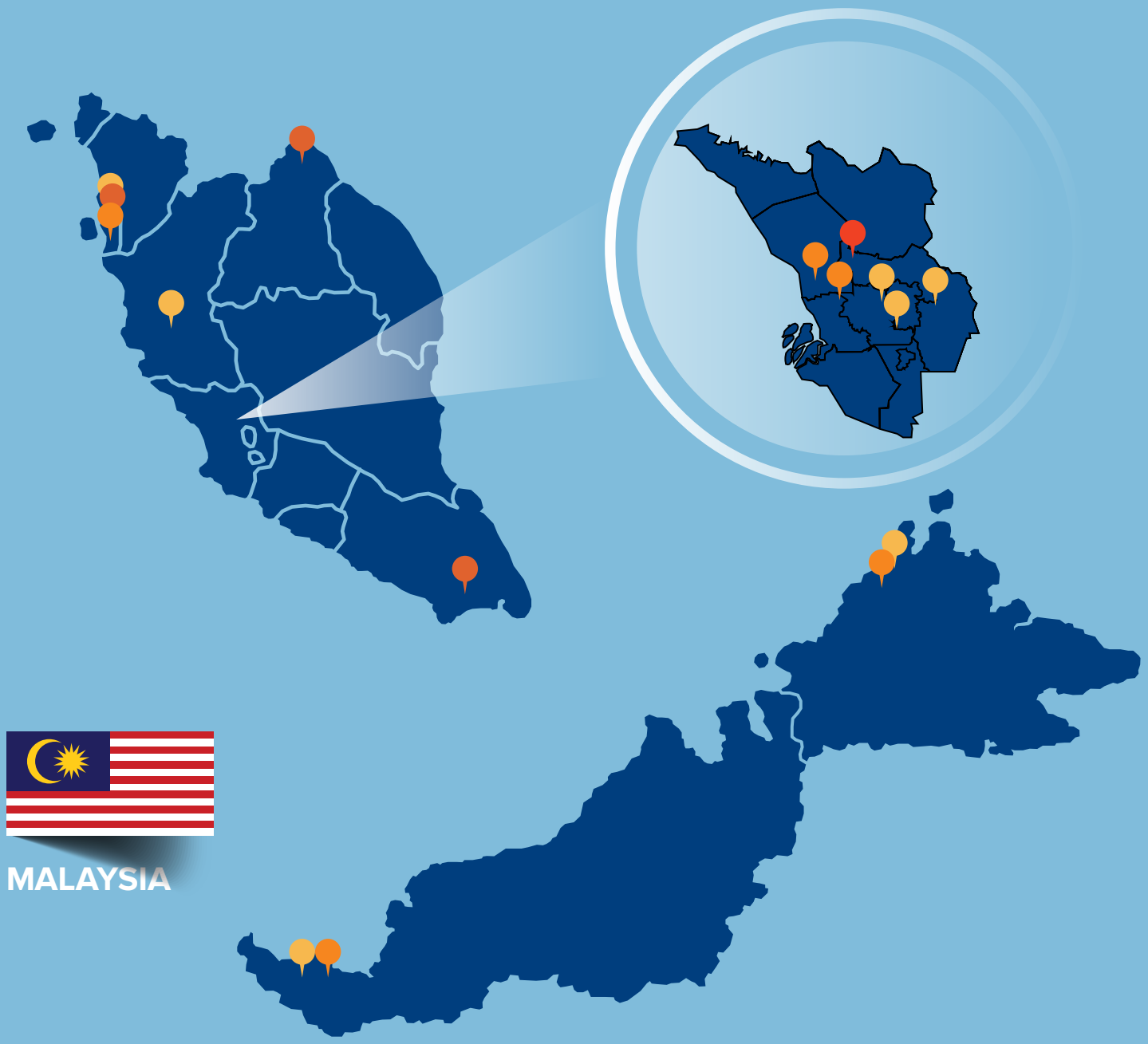
Halal-compliant and state-of-the-art manufacturing facilities of world standing that adhere to Pharmaceutical Inspection Co-operation Scheme and European Union Good Manufacturing Practice standards

With over 300 scientific and technical expertise in a wide range of disciplines, we have a highly skilled workforce armed with formidable technical capabilities

Indonesian distribution on a national scale executed through 33 branches and two manufacturing plants

Strategic alliances aimed at the production of high-value generics and expansion into biopharmacuticals, primarily the production of vaccines and insulin

WHERE WE OPERATE



EMPLOYEES	R&D SITE	MARKETING OFFICE	LOGISTICS & DISTRIBUTION SITE OFFICE		MANUFACTURING PLANT
			Distribution Centres	Branches	
2,301	1	5	8	7	6

As a result of the strategic positioning of our operations in Malaysia and Indonesia, our products and services are easily accessible throughout the region. We continue to expand our market presence by effectively leveraging our synergies. Simultaneously, we are broadening our reach by exploring previously untapped markets.

EMPLOYEES	R&D SITE	LOGISTICS & DISTRIBUTION SITE OFFICE		MANUFACTURING PLANT
		Distribution Centre	Branches	
1,477	1	1	33	2

WHAT WE DO

RESEARCH & DEVELOPMENT

At our state-of-the-art research facility in Bukit Raja, Selangor, we have a team of over 100 skilled scientists from diverse fields working together. Our research and development (R&D) efforts are crucial for our business as it enables us to utilise valuable expertise and in-depth knowledge to develop new high-quality products, enhance efficiency, troubleshoot existing products and implement cost-saving measures. Ultimately, Pharmaniaga is able to sustain its competitiveness and viability in the local and international markets.

By continuing to invest in R&D, we intend to make pharmaceuticals and related services more widely available and affordable, contributing towards a healthier nation as a whole. Our capabilities lie in the development of high-quality pharmaceuticals, biopharmaceuticals and over-the-counter (OTC) products. The R&D team focuses on several key therapeutic areas for product development, such as cardiovascular diseases, central nervous system disorders, gastrointestinal issues, anti-diabetic treatments, analgesics, anti-infectives, vaccines, and insulin.

MANUFACTURING

Our six plants spread across Malaysia are equipped with state-of-the-art technology, machinery, processes, and quality systems, allowing us to deliver a diverse range of products, including oral solids granules, oral liquid, semisolids, and small volume injectables. On the other hand, the manufacturing operations are in the pipeline to extend its manufacturing capabilities into biologics product manufacturing. The main focus for the biologic products is it must be able to fulfil the increasing domestic demand for vaccines and insulin. As a result, we are well on our way to becoming the prominent biopharmaceutical company in Southeast Asia.

LOGISTICS & DISTRIBUTION

More than 700 items on the Ministry of Health's (MOH) Approved Product Purchase List (APPL), are supplied by Pharmaniaga to Government hospitals, clinics and institutions. Servicing both public and private facilities, we operate a fleet of more than 300 vehicles out of 8 distribution centres in Selangor, Penang, Sabah, and Sarawak.

- **328** total number of products approved:

  33 Biopharmaceuticals
  192 Pharmaceuticals
  59 OTC & Nutraceuticals
  31 Medical Devices
  13 Cosmetics

- Successfully registered **28 new products** locally

- Successfully registered **6 new products** internationally

- Total number of approved export registration to **168 products** spanning **12 countries**

- Dosage Form & Capacity:

  Solid : 7.0 billion tablets & capsules
  Liquid : 2.9 million litres
  Cream : 232 metric tonnes
  Dry syrup : 269 metric tonnes
  Vials : 16.54 million units
  Ampoules : 43.0 million units

- The cost saving exercise of lead time reduction, cycle time improvement, inventory reduction and **productivity improvements of RM0.75 million**

- **Installation of online cloud-based Building Management System (BMS)** for monitoring temperature and humidity in warehouse and stability chambers to improve compliance and better record keeping

- **Entrusted to manage export shipment of COVID-19 vaccines donation** to other countries including Laos and Myanmar

- Go Live of **additional 2 central distribution centres**

- **98.7% compliance with all performance standards** for the provision of medicines and medical supplies to MOH

- **2 electric vehicles launched**

WHAT WE DO

SALES & MARKETING

Our sales and marketing team is responsible for promoting a diverse range of healthcare products, including pharmaceuticals, dental, over-the-counter (OTC), supplements, and nutraceuticals for both medical and non-medical channels.

In order to keep up with the rising demand for healthcare and patient care, we promote a broad range of prominent generic pharmaceuticals and constantly monitor the market for the introduction of new products.

Our consumer healthcare segment has successfully launched a new product range for our existing Citrex Vitamin C and Actimol Paracetamol portfolio. In the coming years, we will focus on consumer wellness and expand our product offerings to include nutritional supplements for life-stage, post-partum and diabetic care. We are on track to launch three to five products per annum for the next three years.

INDONESIAN OPERATIONS

Both our logistics and distribution arm, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita) have contributed to the expansion of our operations in Indonesia, which have continued to see positive results.

MPI, which is publicly traded, has grown steadily by double digits since joining the Group in December 2004. MPI is one of the top ten pharmaceutical logistics and distribution companies in Indonesia, with a central warehouse in Jakarta and 33 branches throughout the country. MPI's main revenue contributor is the sale of ethical drugs, over-the-counter (OTC) products and disposable medical supplies for 30 principals, including Errita.

Errita is a manufacturer of pharmaceutical and OTC products, renowned for their general pharmaceutical (solid, semi-solid, liquid) and penicillin plants (solid and dry syrup). Joining the Group in 2014, the company employs close to 400 individuals and has registered 126 different products to date. As part of its strategy to increase its overall market share, the company intends to roll out fifteen new products annually.

Thanks to the growing acceptance of our brands, we have made significant inroads and have increased our distribution into both medical and non-medical channels. Our target for medical channels is to improve our brand visibility and planograms. For the traditional non-medical channels, we will introduce suitable products and packing formats to accelerate our penetration.

Drawing on lessons from the recent pandemic, we plan to further expand our 'direct-to-consumer' services under the RoyalePharma brand umbrella. These services will include a combination of retail, online, and vending initiatives, aimed at improving product accessibility for consumers in need.

- Our Vaginal Hyal Gel listed as the **first non-hormonal product for post-menopausal** management in the Malaysia Clinical Practice Guidelines (CPG)
- Won a three-year Ministry of Health tender **worth over RM1.4 million for Ontrex**
- Launched: **Citrex Vitamin C Powder, Citrex Vitamin C Gummies, Citrex Multivitamin Gummies, ActiMol PCM 250mg/5ml, ActiMol PCM 120mg/5ml, Pharmaniaga Hand Sanitiser, Pharmaniaga Hand Wash**

- **MPI:**
  33 branches
  30 principals
  25,148 customers
  4,159 product SKUs
- **Errita:**
  16 distributors
  126 products registered
  116 products commercialised
  10 newly registered products
  10 products launched

- **Awards received:**
  Penghargaan 2022 Distributor Obat dari RS Bethesda Yogyakarta
- Penghargaan Indonesia **Best Choice in Pharmaceutical Company Award 2022 by Indonesia Best Choice Award**

2022 KEY HIGHLIGHTS

FINANCIAL HIGHLIGHTS

LOSS AFTER TAXATION

(RM605.1 MILLION)

REVENUE

RM3.5 BILLION

DIVIDEND PER SHARE

1.9 SEN

BUSINESS HIGHLIGHTS

98.7% compliance with all performance standards for the provision of medicines and medical supplies to MOH

HIGHLIGHT 1

Entrusted by MOH to manage the logistics and distribution of Paxlovid

HIGHLIGHT 2

Capacity & yield improvements of **RM3.9 million**

HIGHLIGHT 6

Pharmaniaga Manufacturing Berhad **obtained Manufacturing Site Registration** in UAE on 7 October

HIGHLIGHT 7

Sale of Gengigel, **increased by 48%** to more than RM7.2 million, making it the **highest-selling consumable medical device** in Malaysia in 2022

HIGHLIGHT 11

Vaginal Hyal Gel listed as the **first non-hormonal product** for post-menopausal management in the Malaysia Clinical Practice Guidelines (CPG)

HIGHLIGHT 12

Customer Satisfaction Survey Scores:
'Good' & 'Excellent' MOH 98% MOHE 100%

HIGHLIGHT 3

Implemented additional **Robotics Processing Automation (RPA)** to automate sample orders

HIGHLIGHT 4

44 new products registered

HIGHLIGHT 5

Sales in the private market **grew by almost 50%**

HIGHLIGHT 8

Products launched: **Euvax B, Roxatin, Cruzor & Xynoz**

HIGHLIGHT 9

Dental business **grew by RM 2.1 million**, with a remarkable **159% growth** compared to 2021

HIGHLIGHT 10

Recognised as the **preferred distributor** by **3M Oral Care**

HIGHLIGHT 13

Citrex Vitamin C range and **ActiMol Paracetamol** for kids launched

HIGHLIGHT 14

19 RoyalePharma 24/7 vending machines operating in Klang Valley & Melaka

HIGHLIGHT 15

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

17.1% reduction in **Greenhouse Gas emissions** from 2019 baseline

RM25,270 of **cost savings achieved** from water recycling programmes

737.72 TONNES of **non-hazardous waste recycled** (2021: 398.63 tonnes)

767.48 GJ generated from **solar energy**

RM1.3 MILLION of **cost savings achieved** from **energy-saving initiatives**

222.36 TONNES of **recycled input material** utilised in manufacturing operations

SOCIAL

196 individuals provided with **graduate employment opportunities**

99.7% **employees are local**

ZERO **major accidents**

ZERO **recorded cases of discrimination and non-compliance with labour practices**

Average of 32 training hours per employee

Approximately **RM3.1 MILLION** **invested in corporate responsibility (inclusive of zakat)**

GOVERNANCE & ECONOMIC

- Pharmaniaga Manufacturing Berhad (Bangi) and Idaman Pharma Sdn Bhd (Sungai Petani & Seri Iskandar) successfully obtained the

  ISO 37001:2016

  Anti-Bribery Management Systems Certification

- Implementation of **Business Continuity Management System for Manufacturing division**

- **Establishment of Business Continuity Management Policy**

INDICES REPRESENTATION

FTSE4Good

FTSE4Good Bursa Malaysia (F4GBM) Index

FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index

STANDARDS & CERTIFICATIONS

- **MS ISO 37001: 2016**
  Anti-Bribery Management Systems
- **ISO 45001: 2018**
  Occupational Health and Safety Management Systems
- **ISO 27001: 2013**
  Information Security Management Systems
- **ISO 9001: 2015**
  Quality Management Systems
- **ISO 14001: 2015**
  Environmental Management Systems
- **ISO/IEC 17025: 2017**
  Laboratory Quality Management Systems
- **ISO 18295-1: 2017**
  Customer Contact Centres
- **GOOD MANUFACTURING PRACTICE**
  Certification (Malaysia and Indonesia)
- **EU GOOD MANUFACTURING PRACTICE**
  Certification (Portugal)
- **MALAYSIA HALAL**
  Certification
- **MESTI**
  Certification
- **GOOD DISTRIBUTION PRACTICE**
  Certification
- **GOOD DISTRIBUTION PRACTICE FOR MEDICAL DEVICES**
  Certification

AWARDS & RECOGNITION

The EDGE Malaysia ESG Awards 2022
Best Performing Company by Bursa Sector Classification, Healthcare Sector (Silver)

HR Asia Awards 2022
Best Companies to Work for 2022

MSOSH Occupational Safety & Health Awards 2022
Logistics and Transportation Sectors Category (Silver Award)

The BrandLaureate BestBrands Award
Nation's Pride Brand of the Year: Integrated Pharmaceutical Solutions 2022

2022 CORPORATE MILESTONES

FEBRUARY

24 Feb
Exported the second batch of Sinovac COVID-19 vaccine to Myanmar.

25 Feb
- Pharmaniaga LifeScience Sdn Bhd signs Memorandum of Understanding with Thailand's BioNet Group for vaccine research and development (R&D).
- Pharmaniaga Research Centre Sdn Bhd signs Memorandum of Understanding with Thailand's Bio-Innova Co. Ltd. for bioequivalence solutions as well as pharmaceutical product development innovation.

AUGUST

23 Aug
Exported the third batch of Sinovac COVID-19 vaccine to Myanmar.

24 Aug
Roxatin launched.

SEPTEMBER

26 Sep
Pharmaniaga Logistics Sdn Bhd launched the use of electric vehicles for the delivery of medicines in several areas of the Klang Valley at the 50th Anniversary of the Armed Forces Fund Board at Royal Malaysian Air Force Kuantan, Pahang.

27 Sep
Cruzor launched.

OCTOBER

31 Oct
Pharmaniaga Berhad signed a Memorandum of Understanding with JDMAS Commerce Sdn Bhd to commercialise Pharmaniaga's over-the-counter (OTC) and subsequently pharmaceutical products in China through JD.Com.

14 Oct
Pharmaniaga Berhad and Perisind Samudra Sdn Bhd signed a Heads of Agreement to facilitate the implementation of Pharmaniaga's Decarbonisation Programme towards embracing the low-carbon economy and greener practices.

1 Oct
Xynoz launched.

MARCH

30 Mar
Pharmaniaga Manufacturing Berhad (PMB) signs Memorandum of Understanding with Prime Medical Store LLC (Prime Medical), a subsidiary of PRIME Healthcare Group as the foundation in establishing the framework that will grant Prime Medical the exclusive right to register, import, promote, market, sell and distribute PMB's pharmaceutical products in UAE.

MAY

24 May
Euvax B launched.

JUNE

28 Jun
The PharmaApprentice Programme was launched as part of Pharmaniaga's long-term sustainability effort. In collaboration with the Selangor Education Department, a total of 34 underprivileged students, from seven schools within the Selangor district will benefit from this programme which aims to motivate them to excel in their tertiary education.

JULY

15 Jul
Pharmaniaga Berhad entered into a Memorandum of Collaboration with China's Suzhou Ronnsi Pharma Co., Ltd. to commercialise Halal ovine (sheep and goat) anti-coagulant (blood clot thinner) in Malaysia.

DECEMBER

13 December
Pharmaniaga LifeScience Sdn Bhd, signed a Research Collaboration Agreement with BioNet-Asia Co. Ltd. of Thailand for the development of a 6-in-1 combination vaccine (Hexavalent vaccine) for children's healthcare, using BioNet formulation.

KEY MESSAGES

Chairman's Statement	26
Executive Committee's Statement	30
Chief Financial Officer's Statement	36

SECTION 02

rmaniaga®
LOOSE ITEMS
LOOSE ITEMS
LOOSE ITEMS
LOOSE ITEMS
LOOSE ITEMS
LOOSE ITEMS

IZADDEEN DAUD
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholder,

A challenging business climate confronted Pharmaniaga in 2022. Despite achieving remarkable success in 2021 by delivering nearly 23 million COVID-19 vaccine doses and recording the highest net profit ever, 2022 marked an inflection point for the Group.

As the country moved into the endemic phase, vaccine demand waned and Pharmaniaga's business operations continued to normalise to its pre-pandemic state. However, amidst the uncertainty and the myriad of challenges, Pharmaniaga was able to capitalise on new pockets of growth opportunities, observing an increase in revenue compared with pre-pandemic levels.

As a Chairman, a position I have held since 22 February 2023, and on behalf of the Board of Directors of Pharmaniaga, I would like to take you through Pharmaniaga's financial year, which ended 31 December 2022.

OUR OPERATING LANDSCAPE

Despite increased demand and a return in buyer confidence, which have boosted business activity across many sectors to pre-pandemic levels, potential growth has been hampered by persistent cost pressures, labour constraints, supply chain disruptions and the tightening of global monetary policies.

FINANCIAL PERFORMANCE

Amidst the volatile landscape, our prudent practices saw us undertake a RM552 million provision for slow-moving inventories of COVID-19 vaccine, in accordance with accounting standards. This provision inevitably triggered Pharmaniaga's classification under Practice Note 17 (PN17). Our PN17 status attests to our responsible accounting practices, which are in line with the Malaysia Financial Reporting Standards.

Pharmaniaga is committed to taking all necessary measures to ensure that we are uplifted from being classified as a PN17 company, which will be elaborated on further in this Report. We remain optimistic that with our extensive expertise, experience, and the support of our partners, we can successfully navigate this situation and emerge stronger than before.

During the year, the Group recorded a loss before tax of RM581 million in 2022 on the back of RM3.5 billion in revenue. It is worth noting that our revenue has remained higher than our pre-pandemic 2019 revenue of RM2.8 billion.

I am pleased to note that the Board has declared a dividend of 1.9 sen per share, translating into a total dividend payout of RM25 million.

UPHOLDING GOOD ESG PRACTICES

Pharmaniaga's environmental, social, and governance (ESG) agenda is being accelerated through policies and procedures that promote sustainability. We began a decarbonisation programme during the financial year under review in order to reduce our carbon footprint even further. In addition, we published our first climate-related risk report, based on the recommendations of our Task Force on Climate-related Financial Disclosures (TCFD). As the first step in preparing to mitigate climate-related risks, we conducted a climate risk assessment to identify physical and transition risks.

Our comprehensive logistics network

In adherence with best practices such as the Malaysian Code on Corporate Governance, we also continued to place a strong emphasis on corporate governance and integrity, fair labour practices, diversity and inclusion as well as data privacy and security. To this end, we are committed to upholding organisational integrity and operating in an ethical manner in maintaining the trust and continued support of our stakeholders.

The Sustainability Committee of the Board sets the tone for Pharmaniaga's approach to sustainability. For more details on our ESG initiatives, please refer to our Sustainability Statement on pages 148 to 185 of this Integrated Report.

OUTLOOK

Pharmaniaga upholds its unwavering commitment to fulfil its obligations to the Ministry of Health (MOH) for the pharmaceutical logistics and distribution concession. This dedication is reinforced by our long-standing and impressive track record, as well as the extensive infrastructure and ecosystem that we have developed over the years.

The Ministry's decision to renew Pharmaniaga's concession for another 10 years is a testament to our capabilities and reliability. It is an honour to be recognised by the Ministry and to have their confidence in our ability. We remain committed to sustaining our performance and exceeding expectations to increase the contribution to the total Group's profitability.

Moving forward, our goal is to diversify our business. To achieve this, we are exploring non-concession healthcare opportunities and expanding our logistics business. Leveraging our core strengths in pharmaceuticals and healthcare products, particularly in biopharma, both in drugs and non-drugs, will remain a key focus in driving growth.

Furthermore, we are pursuing global and regional ventures in order to maintain and expand our presence in private and international markets. By taking these steps, our ultimate aim is to solidify our position as a leader in the healthcare industry and achieve sustainable growth over the long term.

We are now on a course for accelerated growth in the largest economy in Southeast Asia as a result of the aggressive expansion of our business in the Indonesian market. Last year alone, we recorded a revenue of close to RM1 billion from our Indonesia Division, a 10% increase from the previous year. Indonesia's business landscape holds vast untapped potential, which presents a significant opportunity for Pharmaniaga's growth. Our focus on exploring this potential market is expected to be a major growth driver for the Group. In addition to this, we are consistently working towards enhancing our operational efficiency, ensuring that we remain competitive in the industry.

We recognise the impact that the provision for slow-moving COVID-19 vaccine stocks has had on our bottom line in 2022. However, we are actively working towards clearing our COVID-19 vaccine inventories, which have a substantial duration of shelf-life left before expiry. Our unwavering dedication remains towards ensuring the prompt and efficient dispersal and sale of the existing vaccine inventory.

We are pleased to note that the Group's newly formed PN17 board committee task force is actively working to finalise a regularisation plan for Bursa Malaysia.

At Pharmaniaga, our focus is on diligently executing our strategies while keeping cost efficiency as a top priority. We are confident in our ability to return to profitability.

APPRECIATION

In closing, I would like to take this opportunity to express my appreciation to the Pharmaniaga family, including the Board members, senior management and our employees. Your excellent contributions have put the Group on the right trajectory towards sustainable growth.

In particular, a special note of gratitude goes to our former Chief Executive Officer (CEO) Datuk Zulkarnain Md Eusope, who vacated his position effective 14 March 2023.

While the search for a successor to Datuk Zulkarnain is ongoing, Pharmaniaga is being led by an interim Executive Committee (EXCO), which is fulfilling the role of the CEO.

I would like to extend our heartfelt appreciation for the continued support given by our shareholders, partners, financiers, customers and relevant authorities in Malaysia and internationally.

As we look towards the future, I have great confidence in the Pharmaniaga family's ability to embrace new challenges and capitalise on emerging market opportunities, as we work towards becoming a world-class diversified pharmaceutical player, while delivering greater value to our stakeholders.

IZADDEEN DAUD
Chairman

EXECUTIVE COMMITTEE'S STATEMENT

Dear Shareholder,

The Executive Committee (EXCO) of Pharmaniaga Berhad (Pharmaniaga) has taken over the responsibilities and functions of the Chief Executive Officer effective 14 March 2023 as a result of its classification under Practice Note 17 of the Bursa Malaysia guidelines. In light of this, the EXCO is tasked and has reviewed the Group's performance for the financial year ended 31 December 2022.

As the largest integrated pharmaceutical company in Malaysia with 29 years of experience within its dynamic ecosystem, Pharmaniaga is able to offer access to an extensive logistics infrastructure across Malaysia and Indonesia, complemented by world-class manufacturing plants with robust capabilities.

While the past year was undoubtedly one of Pharmaniaga's most challenging financial years, we were able to brace through, thanks in part to our highly skilled and committed workforce, strong technical capabilities, as well as strategic partnerships.

AHMAD SHAHREDZUAN MOHD SHARIFF
Non-Independent Non-Executive Director / EXCO Chairman

ZULKIFLI JAFAR
Deputy Chief Executive Officer

MOHAMED IQBAL ABDUL RAHMAN
Chief Operating Officer

NORAI'NI MOHAMED ALI
Chief Financial Officer

EXECUTIVE COMMITTEE'S STATEMENT

OPERATIONAL OVERVIEW

Despite the challenges posed by the decline in revenue from the distribution of COVID-19 vaccines as well as the associated increase in expenses due to the opening of three additional warehouses, the Logistics and Distribution Division was able to achieve a commendable profit before tax (PBT) of RM24 million in 2022.

This accomplishment was the result of our strategic expansion efforts, which enabled us to explore new customer bases and untapped territories within our markets. By optimising our resources and leveraging our existing assets, we successfully capitalised on our strengths and met our targets while venturing into new sectors. This approach resulted in a resilient PBT performance in the face of challenging conditions.

Additionally, the private sector proved to be a highly profitable market for the Group in 2022, with sales increasing by 50% year-to-date as a result of increased marketing and sales efforts and the introduction of innovative new products.

We reported a loss before tax of RM549 million for the financial year under review, mainly due to the provision for slow-moving inventories of COVID-19 vaccines in adherence to the requirement of MFRS102 Inventories. This is mainly due the slow demand of the COVID-19 vaccine.

The Indonesia Division's PBT from ongoing operations increased to RM7.5 million, up from the RM0.1 million loss in the previous year. This was attributable to a number of factors, including, stock optimisation, aggressive collection efforts, and the digitisation of business processes.

We remained committed to our goal of making Pharmaniaga a household name as a global biopharmaceutical manufacturer

FUTURE-PROOFING PHARMANIAGA

Steady progress was made across the board for the Group's many strategic initiatives during the year.

In accordance with our strategy to establish Pharmaniaga as the key in integrated logistics and distribution, we achieved a number of successes in 2022. During the year, we received a letter of intent to continue providing medical supply logistics to the Ministry of Health (MOH) for the next ten years.

We remained committed to our goal of making Pharmaniaga a household name as a global biopharmaceutical manufacturer. During the year, we successfully completed the infrastructure works relating to our vaccine and insulin manufacturing facilities. Equipment installation is progressing well, based on the project milestones set. This expansion will help in producing vaccines and insulin domestically, which will further contribute to the country's ability to ensure the supply of essential and critical medications.

TALENT BUILDING

To fully capitalise on our most valuable asset—our people—we have implemented a range of initiatives to create a positive and technologically advanced work environment as well as nurture the inherent potential of our talent.

In the last year, Pharmaniaga has prioritised capacity building for niche industries, as evidenced by the establishment of the Pharmaniaga Group Centre of Excellence. We have undertaken a rigorous process of identifying critical positions within the pharmaceutical industry to ensure a robust and sustainable supply chain ecosystem.

The goal is to create a comprehensive succession planning system that will ensure operational continuity while mitigating risks associated with unexpected personnel changes. We have developed a competency dictionary for each division to ensure that development and training programmes are tailored to the specific standards and requirements of each position. With this, we are confident in our ability to maintain our position as a leading provider of high-quality healthcare services in Malaysia and beyond.

During the year, we also sped up learning and development with a well-organised, long-term curriculum and tailored training programmes that included practical experience with real-world situations. The ultimate goal is to develop a talented workforce capable of meeting the challenges of the dynamic pharmaceutical industry, and Pharmaniaga is fully committed to this goal.

EXECUTIVE COMMITTEE'S STATEMENT

OUTLOOK

We have confronted our Practice Note 17 (PN17) status head-on, and the steadfast support and understanding of our suppliers and financial institutions has been crucial to our operations. We are deeply grateful for their continued trust and support in us.

With their support, we have been able to weather the challenges we have faced and remain steadfast in our commitment to fulfilling our obligations towards both our Government and private sector clientele by delivering high-quality healthcare products and services. This has demonstrated our resilience and ability to adapt to changing circumstances, positioning us for continued success.

We are fully committed to sustaining our performance and improving our services in every way possible

Furthermore, the need to ensure that we are not classified as a PN17 company presents an opportunity for us to restructure our operations by realigning our business activities, strengthening our core competencies and optimising our resources.

In addition, we are working positively with MOH on the concession renewal, which is targeted to be awarded by the end of the interim period, 30 June 2023. The negotiations are being deliberated and are in the final stages. This recognition from the Ministry is a great honour, and we understand that with this renewal comes increased responsibility. We are fully committed to sustaining our performance and improving our services in every way possible.

Moving forward, we intend to maintain an aggressive strategy of enhancing operational efficiency, expanding our product line to increase our global footprint, and taking advantage of the increased capacity utilisation afforded by our contract manufacturing business.

From a business standpoint, we are making significant headway in achieving our goals of broadening our current portfolio and creating new revenue streams. Our biopharmaceutical plants for vaccines and insulin, which are currently in progress, are scheduled to take commercial batches by 2024 and 2025, respectively. The biopharmaceutical plants will also help Pharmaniaga establish itself as an established manufacturer of vaccines and insulin, while opening up new sales opportunities in Malaysia and globally.

Along with these developments, we have been pursuing strategic technical partnerships and expanding our market access to strengthen our competitive edge and drive growth. We are confident that these efforts, combined with our ongoing biopharmaceutical plants, will help to realign the Group for greater and more sustainable long-term success.

We are dedicated to reshaping the Group into a diversified pharmaceutical player that is not only reliant on the public sector. Our ongoing efforts to increase our sales to the private market have already yielded robust results and this is expected to continue in the coming years.

On top of that, we are optimistic about our plans to expand our footprint beyond Malaysia. We foresee strong growth opportunities for the Group in Indonesia, as our Indonesian operations are widening their presence in the pharmaceutical and over-the-counter products markets. In addition, we are expanding our physical footprint by establishing new branches outside the Jakarta Greater Area.

Looking ahead, we hold a positive outlook for the future and are eager to continue providing accessible, affordable, and top-quality healthcare services. Our commitment to delivering value to our stakeholders remains steadfast, and we will continue to work towards ensuring Pharmaniaga's position as a prominent healthcare company in Malaysia and beyond.

Ahmad Shahredzuan Mohd Shariff
Non-Independent Non-Executive Director/ EXCO Chairman

CHIEF FINANCIAL OFFICER'S STATEMENT

Dear Shareholder,

As your Chief Financial Officer, I am writing to provide an overview of Pharmaniaga's financial performance for the financial year ended 31 December 2022.

Indeed, despite the impact of the pandemic on the business environment, Pharmaniaga was able to demonstrate resilience and achieve a revenue of RM3.5 billion. This reflects our ability to adapt to market conditions and identify new opportunities for growth.

However, we recorded a loss before tax of RM580.8 million, mainly due to the full provision of COVID-19 vaccines, and a goodwill write-down in our Indonesia manufacturing unit. As a result, the loss after tax amounted to RM605.1 million during the financial year ended 31 December 2022.

We would like to assure you that our adherence to best accounting practices, in line with the Malaysia Financial Reporting Standards is what led us to undertake an RM552.3 million provision for slow-moving inventories of COVID-19 vaccines. This provision inevitably triggered Pharmaniaga's classification under Practice Note 17 (PN17).

The provision of RM552.3 million for the COVID-19 vaccines was because of the low demand as the country was entering the endemic phase. While the impairment of RM50.3 million on the goodwill in Indonesia was due to the long gestation and uncertain business environment of the manufacturing operations in the country.

Norai'ni Mohamed Ali
Chief Financial Officer

REVENUE

RM3.5 BILLION

(2021: RM4.8 billion)

(LBITDA)/EBITDA

(RM505.3) MILLION

(2021: RM342.3 million)

TOTAL ASSETS

RM1.8 BILLION

(2021: RM2.3 billion)

CAPITAL EXPENDITURE

RM64.3 MILLION

(2021: RM26.6 million)

(LOSS)/PROFIT BEFORE TAXATION AND ZAKAT

(RM580.8) MILLION

(2021: RM277.1 Million)

CHIEF FINANCIAL OFFICER'S STATEMENT

REVIEW OF INCOME STATEMENTS

Revenue

The lower demand for COVID-19 vaccines has contributed to the challenging market conditions of 2022. Even with the obstacles faced, Pharmaniaga's revenue in 2022 exceeded our pre-pandemic 2019 revenue of RM2.8 billion.

Operating Cost

For the year ended 31 December 2022, Pharmaniaga's operating expenses stood at RM314.7 million compared with RM323 million in 2021. We have redoubled our efforts and are actively implementing cost-cutting measures, which we expect to complete by the end of next year. We also intend to sharpen our focus on our core businesses.

Finance Cost

Finance costs for the year stood at RM40 million, up from RM33 million in the previous year. The increase in finance costs reflects the Group's higher borrowings during the year as we sought to optimise our liquidity position in response to the challenging market conditions caused by the provisions that we made. The Group remains committed to closely monitoring its financing arrangements and exploring opportunities to optimise its cost of finance going forward. The Group's finance costs were also impacted by the higher weighted average floating interest rate of 4.8% (2021: 3.6%) per annum.

Taxation

Our subsidiaries that turned in a profit for the year recorded a total taxation expense of RM24 million, a decrease from the previous year's RM81 million, in tandem with the higher profitability in the previous year. We are committed to optimising our tax position through effective tax planning and management.

REVIEW OF STATEMENTS OF FINANCIAL POSITION

Total Assets

The Group's total assets stood at RM1.8 billion. The Group is actively working towards strengthening its financial position through efficient debt management and strategic capital allocation.

Total Liabilities

Pharmaniaga's total liabilities increased to RM2 billion from RM1.8 billion the previous year. Additional borrowings for the year contributed to the increase in liabilities. In order to maintain a sustainable financial structure, we are doubling our efforts to effectively manage borrowings.

In tandem, the Group is actively working towards resolving this issue through negotiations with financiers, demonstrating our proactive approach in addressing financial obligations and our commitment to maintaining an improved financial position.

Total Equity

Total equity for the year came in at negative RM227 million. Reserves were reduced primarily as a result of the full impairment of slow-moving inventories of RM552 million. We have initiated remedial efforts via our regularisation plan. The plan is aimed at improving our shareholders equity with a view towards exiting from our current PN17 status.

REVIEW OF STATEMENTS OF CASH FLOW

Given the impact of higher inventories of the COVID-19 vaccines, we are burdened today with a deficit operating cashflow of RM62 million. In order to ensure that we are a going concern, the Group funded its operations and capital expenditures via short-term borrowings. We are working to improve our cash flow position, with a particular emphasis on ensuring that suppliers are paid on time. Towards this end, significant efforts are in place to resolve financing lines with financial institutions in order to improve the Group's cash flow position.

OUTLOOK

Looking ahead to 2023, we are optimistic that we will be able to achieve our regularisation efforts. This will not be an easy journey and will entail a review of how we conduct our businesses. We are confident in our abilities and we look to strengthen our financials through prudent debt management and strategic capital allocation.

Pharmaniaga understands the critical importance of timely payments to suppliers and ensuring uninterrupted access to medicine for patients. We are optimistic about our prospects in 2023 and will continue to work closely with our stakeholders to create a more consistent and predictable ecosystem that encourages stable operations.

Norai'ni Mohamed Ali
Chief Financial Officer

VALUE CREATION

Our Key Resources	42
Our Value Creating Business Model	44
Stakeholder Engagement	46

SECTION 03

B1
B1
P4
GOLDBELL
EQUIPMENT
TEL: 03-5192 2801/3801/3802
NICHIYU

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 refers to the financial resources that we have available to us, which include shareholder funds, profits from our business activities, and borrowings as well as financing from credit suppliers. Our priority is to keep our balance sheet strong by managing our debts and cash flow as well as protecting shareholder value through strategic investments in research and development, digitalisation, and modernisation.

MARKET CAPITALISATION

RM 714.06 million

BORROWINGS

RM 1,158.9 million

MANUFACTURED CAPITAL

All of the physical assets that are indispensable to the running of our business are categorised under manufactured capital. Here we include our eight factories (six in Malaysia and two in Indonesia) and 38 distribution centres (five in Malaysia and 33 in Indonesia). Our commitment to growth is reflected in our unwavering dedication to maintaining full compliance with all applicable industry standards through the implementation of continuous capacity and capability upgrades across all of our physical assets

INVESTMENT IN EXPANSIONARY PROJECTS

Vaccine Project

RM 103.8 million

Insulin Project

RM 48.1 million

INTELLECTUAL CAPITAL

Pharmaniaga has amassed significant intellectual capital comprising our proprietary and licenced products, brands, dossiers, technologies, software, licences and standard operating procedures. New products are continually being developed at our in-house research and development facility. We have also partnered with global biotech organisations to share resources and benefit from technology transfer.

Strategic partnerships with renowned international pharmaceutical companies such as Sinovac, Serum Institute and Bionet

HUMAN CAPITAL

Our greatest asset is our human capital. We presently employ 3,778 individuals spread across our operations in Malaysia and Indonesia, and we are dedicated to continue attracting and retaining the best talent through a combination of competitive compensation, comprehensive benefits and a positive work environment. Through consistent engagement and ongoing training and development, we help our employees realise their full potential and stay true to our Company's values and long-term goals.

3,778
Employees
(99.7% are local)

32
Average training hours
per employee

SOCIAL & RELATIONSHIP CAPITAL

The support of our stakeholders, comprising customers, suppliers, investors and local communities form our social and relationship capital. We prioritise strategic corporate and social initiatives aimed at fostering positive relationships with all of our stakeholder groups. For example, through the RoyalePharma Alliance and our Vendor Development Programme, we assist small and medium-sized enterprises (SMEs).

RM 3.1 million

invested in Corporate Responsibility (inclusive of zakat)

NATURAL CAPITAL

In the course of our business, we utilise a variety of natural resources, including water and fuel, both directly and indirectly, by way of packaging material, raw products, and electricity. Given the scarcity of the world's natural resources, we must maximise their productive use. We also recognise the importance of doing our part to combat climate change by practising eco-friendly waste management and cutting down on our carbon footprint.

Established the 1st climate-related risk report by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

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.

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

INPUTS

FINANCIAL CAPITAL
- Shareholder's Equity: **(RM248.7 million)**
- Borrowings: **RM1,158.9 million**
- Net Asset Value: **(RM227.4 million)**

MANUFACTURED CAPITAL
- **8** Manufacturing plants
  - **6** Malaysia • **2** Indonesia
- **49** Logistics & Distribution sites
  - **15** Malaysia • **34** Indonesia
- **2** Core IT Systems which are being modernised as part of our technology journey
- Investment in Expansionary projects
  - Vaccine Project - **RM103.8 million**
  - Insulin Project - **RM48.1 mil**

INTELLECTUAL CAPITAL
- **2** R&D Centres
  - **1** Malaysia • **1** Indonesia
- Over 300 technical & scientific experts

HUMAN CAPITAL
- Total Employees: **3,778**
  Male : **60.5%**
  Female : **39.5%**
- Invested in Employee Training and Development: **RM2,239,234**

SOCIAL & RELATIONSHIP CAPITAL
- Continuous engagement with communities where we operate

NATURAL CAPITAL
- Total water withdrawal: **375.46 megalitres**
- Total electricity consumption: **37,379.69 MwH**
- Total grey back carton use as packaging material: **222.36 tonnes**
- **767.48 GJ** generated from solar energy

STRATEGIC PILLARS
- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare for Sustainable Growth
- Develop Biopharmaceutical Capabilities
- Grow Pharmaniaga Household Brand 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
- **Global Healthcare Market**
- **Rise of Biopharmaceuticals**
- **Tapping into Indonesian Market**

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

MANUFACTURING

LOGISTICS & DISTRIBUTION

INDONESIA OPERATIONS

MATERIAL MATTERS
1. Business Continuity
2. Technology & Innovation
3. Customer Satisfaction
4. Sustainable Products & Services
5. Corporate Governance & Business Ethics
6. Environmental Compliance

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

GUIDED BY....
OUR VISION & MISSION

UNDERPINNED BY....
OUR CORE VALUES

... VALUE FOR OUR STAKEHOLDERS.

OUTPUTS

PRODUCTS

Wide range and diversified basket of products spanning across therapeutic categories:

- Cardiovascular system
- Anti-Diabetic
- Biopharmaceuticals/ Vaccine
- Supplements
- Anti-Infectives
- Analgesics
- Anti-Diabetic/ Insulin
- Central Nervous System
- Anticoagulant
- Food

WASTE

Carbon emissions and the generation of waste are the inevitable consequences of the Group's operations, production and distribution. The following are the initiatives conducted throughout the year:

- 737.72 tonnes of non-hazardous waste recycled
- 7.75 tonnes of hazardous waste recycled into alternative raw material for cement industry
- 292.45 tonnes of hazardous waste directed to disposal

OUTCOMES

FINANCIAL CAPITAL

- Total Revenue: **RM3.5 billion** (2021: RM4.8 billion)
- (Loss)/ Profit Before Zakat & Taxation: **(RM580.8 million)** (2021: RM277.1 million)
- (Loss)/Profit After Tax: **(RM605.1 million)** (2021: RM172.2 million)

MANUFACTURED CAPITAL

- A diversified product portfolio of over 250 products in multiple dosage forms and therapeutic categories
- Providing high-quality, affordable medicines and products

INTELLECTUAL CAPITAL

- Registered **38 new products locally (28 in Malaysia, 10 in Indonesia)**
- Registered **6 new products internationally**
- Total number of approved export registration to **168 products spanning 12 countries**

HUMAN CAPITAL

- Number of employees trained **3,129** (2021: 2,239)
- Number of Certified Technical Skills Developed **138** (nos.) (2021: 21)
- Employee Happiness Index Response Rate: **92%**, **92%** of respondent rate with **84%** overall happy responses

SOCIAL & RELATIONSHIP CAPITAL

- Total corporate investiment: **RM3.1 million** (inclusive of zakat contribution)

NATURAL CAPITAL

- GHG emissions reduction: **17.1%** against 2019 baseline
- Implemented energy saving initiatives resulting in **2,267.11 tCO_2e** of GHG emissions avoidance, enabling a cost savings of **RM1.3 million**
- Embarked on **Decarbonisation** programme
- **Established the 1st climate-related risk report** by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

STAKEHOLDERS

7 Resource Efficiency
8 Greenhouse Gas & Climate Change
9 Talent Management
10 Health & Safety
11 Supporting Local Businesses
12 Corporate Responsibility

STAKEHOLDER ENGAGEMENT

We acknowledge the diverse range of stakeholders affected by our operations and whose actions have an impact on us. The Group actively consider their needs and concerns to ensure that our strategies and decision-making align with their expectations. We believe that building and maintaining trust is essential for cultivating strong and positive relationships with our stakeholders. Hence, Pharmaniaga prioritises fostering an open and transparent dialogue in order to build and strengthen these relationships.

GOVERNMENT AGENCIES & REGULATORY AUTHORITIES

Why We Engage

It is essential for us to stay up-to-date with the latest regulations and policies that pertain to our business operations. At the same time, we prioritise maintaining positive relationships with regulatory authorities to ensure that all required processes run smoothly. Our engagement with regulatory bodies is particularly important during critical business processes including continuous monitoring, quality control and product registration.

Engagement Platforms and Frequency of Engagement	
Dialogue sessions	M
Face-to-face and online meetings	AWR
Correspondence through phone, emails, letters and fax	D
On-site inspections	AWR
Meetings and routine desk consultations	Q AWR
Seminars and workshops organised by regulators	AWR

Key Concerns

- Timely access to affordable healthcare products
- Regulatory compliance
- Compliance with environmental standards
- Compliance with occupational safety and health standards
- Compliance with Anti-Bribery Act
- Compliance with Medical Device Act
- Best practices and policies

Response	Pagination
Sustainable Products & Services	163
Corporate Governance & Business Ethics	165
Environmental Compliance	167
Resource Efficiency	168
Greenhouse Gas & Climate Change	169
Health & Safety	173

EMPLOYEES

Why We Engage

We recognise and appreciate the critical role that our employees play in our success. Therefore, we prioritise the safety and well-being of our employees by providing them with a supportive and conducive work environment.

Engagement Platforms and Frequency of Engagement

- Internal communications — D
- Sales cycle meetings — BA
- Physical and online meetings — Q, AWR
- Correspondence via phone, emails, WhatsApp and video conference — AWR
- Selected onsite physical visit — A, AWR
- Engagement sessions
  - Townhall sessions — AWR
  - Assemblies — W
  - National sales conference — A
  - Religious and cultural activities — S
- Volunteer programmes — BM

Key Concerns

- Business environment volatility and uncertainty
- Business strategy
- Service quality
- Service responsibility
- Challenges in talent retention
- Employee welfare
- Competitive Salary and benefits
- Regulatory compliance
- Training and skills development
- Recruitment and selection

Response	Pagination
Business Continuity	161
Environmental Compliance	167
Talent Management	171
Health & Safety	173

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

STAKEHOLDER ENGAGEMENT

CUSTOMERS

Why We Engage

We are dedicated to providing exceptional products and services that meet the evolving needs of our customers across the various locations of our operations. Through ongoing engagement, we are able to consistently deliver superior products and services, thereby retaining our existing customers and attracting new ones.

Engagement Platforms and Frequency of Engagement

- Routine meetings — M
- One-to-one sessions — Q
- Customer care site visits — AWR
- Customer satisfaction survey — BA
- Dialogue sessions — M

Key Concerns

- Product quality
- Service quality
- Product responsibility
- Regulatory compliance
- Customer complaints and grievances
- Halal-certified products
- Anti-Bribery Management System (ABMS)

Response

- Customer Satisfaction
- Sustainable Products & Services
- Supporting Local Businesses
- Corporate Responsibility

Pagination

- 162
- 163
- 175
- 176

SUPPLY CHAIN PARTNERS

Why We Engage

To ensure the effectiveness of our supply chain, we place a high value on our relationships with suppliers and partners. We are able to provide a diverse range of products and services to our customers while also creating opportunities for our vendors through collaboration. In our interactions with suppliers and partners, we are committed to upholding sustainability principles throughout our value chain.

Engagement Platforms and Frequency of Engagement	
Business partnership review	A
Trading term review	A
Supplier agreement and performance evaluation	A
Periodic meetings	M
One-to-one sessions	Q
Reporting	M
Site visits	A

Key Concerns

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

Response	Pagination
Business Continuity	161
Corporate Governance & Business Ethics	165
Environmental Compliance	167
Supporting Local Businesses	175

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

STAKEHOLDER ENGAGEMENT

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, which is essential for driving long-term shareholder value. The ability to maintain an open dialogue with our stakeholders and understand their priorities allows us to make informed decisions that benefit both our business and stakeholders.

Engagement Platforms and Frequency of Engagement	
• Annual General Meeting	A
• One-to-one sessions	AWR
• Analyst briefings	Q

Key Concerns

- Business performance
- Economic contribution
- Regulatory compliance

Response	Pagination
• Business Continuity	• 161
• Corporate Governance & Business Ethics	• 165
• Environmental Compliance	• 167
• Supporting Local Businesses	• 175

MEDIA

Why We Engage

The media plays a crucial role in delivering corporate news to all our stakeholders and in increasing visibility and public confidence in our brand. It is also a vital platform for addressing perception issues. To ensure transparency, dialogue, and accountability in all of our dealings, we maintain strong relationships with a wide range of media outlets.

Engagement Platforms and Frequency of Engagement	
• Media briefing on financial results	Q
• Media interviews	AWR
• News releases	AWR
• Media events	AWR
• Advertisements	AWR
• Product placements	AWR

Key Concerns

- Financial performance
- Product accessibility and availability
- Economic contribution
- Business development

Response	Pagination
• Business Continuity	• 161
• Sustainable Products & Services	• 163

COMMUNITIES

Why We Engage

Local communities are integral to our business and form part of our customer base. We actively engage with them to foster a healthy relationship while working together to ensure a socially and environmentally equitable business.

Engagement Platforms and Frequency of Engagement	
One-to-one sessions	Q
Meetings with representatives of local communities	Q
Health awareness programmes	AWR
Charitable contributions	AWR
Professional bodies and associations	AWR

Key Concerns

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

Response	Pagination
Environmental Compliance	167
Talent Management	171
Corporate Responsibility	176

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

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC REVIEW

Key Market Trends 54

Material Sustainability Matters 57

Risk Overview:

Key Risks and Their Mitigation 64

Strategic Pillars:

7 Focus Strategies 69

BUSINESS REVIEW

Manufacturing 72

Logistics & Distribution 76

Indonesia Operations 84

PERFORMANCE REVIEW

Five-Year Group Financial Summary 88

Five-Year Group Financial Highlights 89

Group Quarterly Performance 90

Financial Calendar 91

SECTION 04

LOOSE ITEMS
URGENT

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

At a compound annual growth rate (CAGR) of about 7.7%, the pharmaceutical industry is projected to expand from USD1.45 trillion in 2022 to USD2.24 trillion in 2027. More people are living with chronic illnesses, and the average age of the population is rising, which is propelling the market forward. As the cost of healthcare continues to be a major concern, the healthcare industry is expected to embrace generics. North America accounts for 46% of the global pharmaceutical market, while Asia Pacific is the second largest region, accounting for 26%.

Link To: • Strategy • Capitals • Material Matters

Potential Impact

Diabetes and cancer are just two examples of the chronic diseases that are expected to account for 30% of the industry's projected growth. Furthermore, an ageing population with several constraints creates an opportunity for the generic medicine market.

How We Responded

As businesses compete on price and speed to market, increased manufacturing efficiency will become an important driver of growth in the future. To capitalise on this, Pharmaniaga intends to launch a cost-cutting initiative for its Manufacturing and Logistics & Distribution Divisions as part of its long-term business strategy.

Outlook

Southeast Asia's pharmaceutical industry is anticipated to expand by 5 to 13% annually until 2025. At 13%, Malaysia is projected to have the highest growth rate, with Singapore coming in second at 11%, followed by the Philippines at 9%, Indonesia and Thailand at 5%, and Vietnam at 5% rounding out the top five.

RISE OF BIOPHARMACEUTICALS

In 2022, the private sector in Malaysia accounted for 69% of the total expenditure on pharmaceuticals, which marks a 20% increase from 2021. In contrast, the public sector accounted for 31% and experienced a 2% growth. As Pharmaniaga currently holds a market share of 26% in the public sector and 1% in the private sector, a shift towards a marketing-led business model is essential. The Malaysian market is still dominated by branded products, accounting for more than 50%, surpassing the biologics and generics markets. This indicates that the generics market in Malaysia has significant growth potential.

Link To: • Strategy • Capitals • Material Matters

Potential Impact

There is unrealised potential in the pharmaceutical industry due to the dominance of foreign players and the fact that local manufacturers produce generics while importing innovator and biologics products.

How We Responded

In 2022, Pharmaniaga successfully registered 28 products, among which 12 were in-house products. Some of the key products registered include Roxatin (Rosuvastatin), Xynoz (Desloratadine) and SKYVaricella / SKYZoster (Varicella-Zoster Vaccine). These new products are expected to strengthen Pharmaniaga's position within the local market.

Aside from that, we intend to increase our presence, particularly in private and international markets. Consequently, Pharmaniaga is focused on becoming a marketing-driven company underpinned by a solid scientific foundation. Additionally, in line with our focus on enhancing our biopharmaceutical capabilities, we continue to monitor the biopharmaceutical market.

Outlook

Biologics is anticipated to experience the highest growth going forward, with a CAGR of 7.3% up until 2027.

STRATEGIC REVIEW
KEY MARKET TRENDS

TAPPING THE INDONESIAN MARKET

The size of the pharmaceutical market in Indonesia is approximately RM38 billion, which is approximately four times larger than the size of the market in Malaysia. This is largely attributable to the country's large population of 270 million people, as well as its distribution of approximately three million retail outlets across the country. Pharmaniaga's subsidiary PT Errita has a 0.11% share of the Indonesian pharmaceutical manufacturing market.

Link To: • Strategy • Capitals • Material Matters

Potential Impact

There are more than 220 pharmaceutical companies in Indonesia, making for a fiercely competitive and difficult market.

How We Responded

In 2022, we made a critical investment to improve our logistics operations by upgrading our IT systems. This upgrade enables us to manage our Enterprise Resource Planning (ERP) system in a more strategic and systematic manner. In addition, we utilised our extensive coverage across 33 branches to aggressively pursue new principals as part of our logistics expansion plan. With this strategy, we anticipate continued growth in our logistics business in Indonesia in the coming years.

Over the next five years, Pharmaniaga will work on reimagining and remodeling our Indonesian operations by, among other things, increasing synergy between PT MPI and PT Errita, repositioning its products and services in the Indonesian market, strengthening marketing efforts and improving infrastructure.

Outlook

The environment for manufacturers in Indonesia is one that is, on the whole, relatively challenging. In terms of total market value, the solid form has the highest market value, followed by Small Volume Injectable (SVI) and Non-Cephalosporin products. PT Errita will continue to assess the viability of establishing itself in the SVI segment, where there is less intense competition.

STRATEGIC REVIEW

MATERIAL SUSTAINABILITY MATTERS

It is our corporate responsibility to identify our key material sustainability issues from the economic, environmental, social and governance (EESG) pillars to mitigate and reduce the negative impacts of our operations. Determining the impacts of our material sustainability matters is crucial as they significantly influence the assessments and decisions of our stakeholders. As such, Pharmaniaga conducts a thorough materiality assessment with key internal and external stakeholder groups as and when necessary to identify the material sustainability matters that can significantly impact our Company and stakeholders. This has enabled us to understand our risks and opportunities, forecast the challenges ahead and align our strategies and actions plans with current sustainability landscape to remain relevant.

MATERIALITY ASSESSMENT PROCESS

In our sustainability journey, it is pertinent for us to keep up with the rapidly evolving business landscape, regulatory rules and sustainability trends and risks to remain relevant. We conducted in-depth materiality assessment in the year under review through an online survey involving all stakeholder groups and a focus group discussion were conducted. Through this exercise, we prioritised the material matters by identifying the risks and opportunities that will impact our business and our stakeholders. The internal review was done using guidelines from Bursa Malaysia's Sustainability Reporting Guide and Toolkits and the GRI Standards. The process consisted of three steps:

STEP 1 → STEP 2 → STEP 3

IDENTIFICATION

The 21 material sustainability matters identified in 2021 were reviewed for their relevance to the current sustainability risks and opportunities. The process included benchmarking the material matters against local and regional industry peers and taking into consideration the sustainability development within the industry. Feedback and insights from internal and external stakeholders were also included. Additionally, the material issues were determined based on key sustainability matters from various reporting frameworks and EESG indices. They included Bursa Malaysia's Sustainability Reporting Guide (3rd Edition), GRI Standards, FTSE4Good Bursa Malaysia ESG indicators and Dow Jones Sustainability Indices (DJSI).

PRIORITISATION

The material issues were prioritised after the SWG reassessed the significance and the impact of the matters to the business and stakeholders.

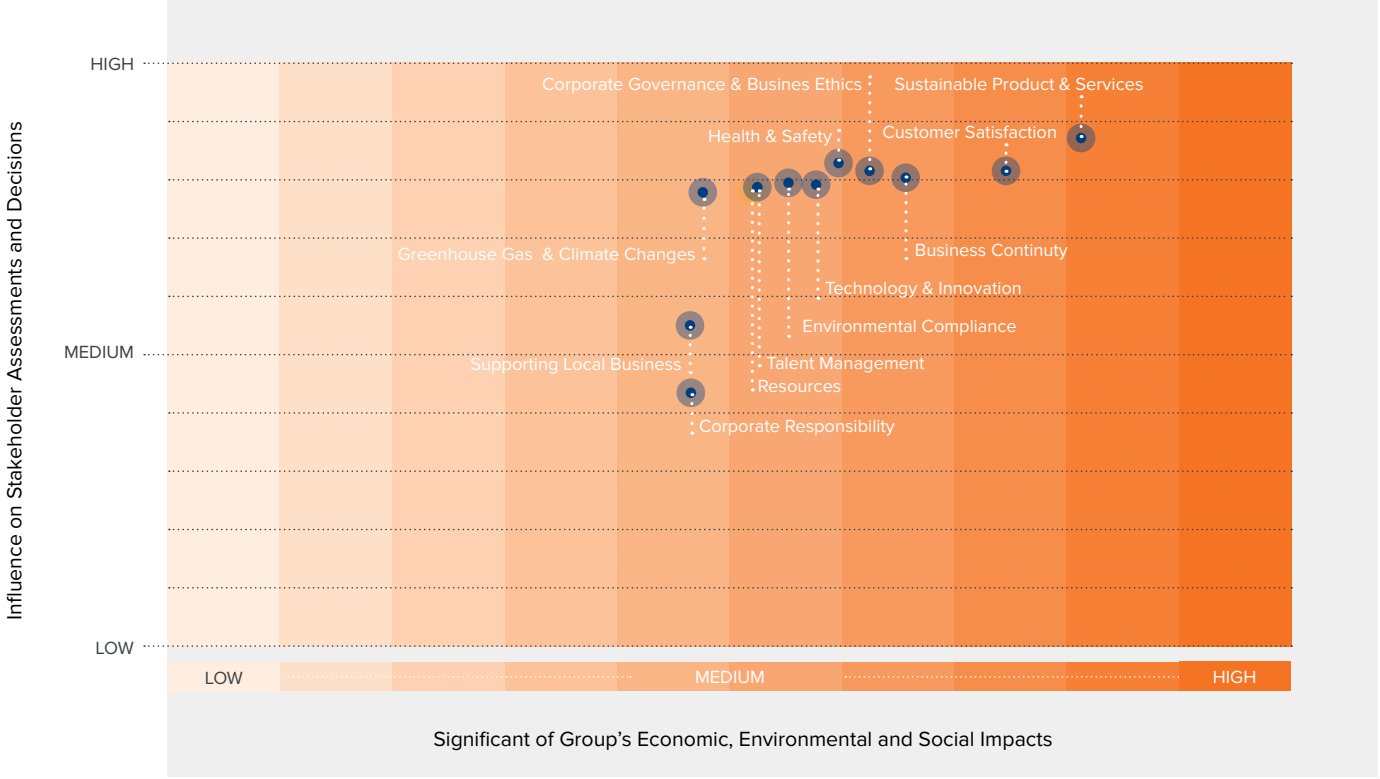
VALIDATION

The findings from the assessment process were plotted on a materiality matrix and deliberated on and validated by the SMC before they were presented to the Board for endorsement.

STRATEGIC REVIEW
MATERIAL SUSTAINABILITY MATTERS

MATERIALITY MATRIX

Following the internal review in 2022, we consolidated the 21 material matters into 12 sustainability issues to align with our key focus areas. The significance of the sustainability material matters to our business and our stakeholders is shown in the following materiality matrix:



The 12 material matters were aligned against our 12 key focus areas to provide a clearer focus and better management of our sustainability issues.

	PREVIOUS SUSTAINABILITY MATTERS	CONSOLIDATED MATERIAL MATTERS AND KEY FOCUS AREAS
1	• Economic and Financial Sustainability	BUSINESS CONTINUITY
2	• Product Quality • Service Quality	TECHNOLOGY & INNOVATION
3	• Customer Satisfaction • Product Responsibility	CUSTOMER SATISFACTION
4	• Accessibility of Healthcare Products • Accessibility of Halal Products • Affordable Healthcare Products	SUSTAINABLE PRODUCTS & SERVICES
5	• Good Corporate Governance and Integrity • Data Privacy and Security	CORPORATE GOVERNANCE & BUSINESS ETHICS
6	• Material and Waste Management • Water and Effluent Discharge Management • Hazardous Gas Emissions and Energy Management	ENVIRONMENTAL COMPLIANCE
7	• Material and Waste Management • Water and Effluent Discharge Management	RESOURCE EFFICIENCY
8	• Hazardous Gas Emissions and Energy Management	GREENHOUSE GAS & CLIMATE CHANGE
9	• Fair Labour Practices • Diversity & Inclusion • Training and Development • Job Opportunities	TALENT MANAGEMENT
10	• Occupational Health and Safety	HEALTH & SAFETY
11	• Providing Business Opportunities	SUPPORTING LOCAL BUSINESSES
12	• Community Contribution and Development	CORPORATE RESPONSIBILITY

STRATEGIC REVIEW
MATERIAL SUSTAINABILITY MATTERS

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

We manage our material sustainability matters by benchmarking our progress and achievements against our Sustainability Goals and Key Focus Areas that were established in 2019. We refer to sustainability standards and indicators from EESG indices such as the GRI Standards and FTSE4Good whenever necessary to meet our sustainability goals.

The Sustainability Goals and Key Focus Areas were developed through a thorough process before they were approved by the Board Sustainability Committee and the Board of Directors. These goals are aligned with the vision of our parent company, Boustead Holdings Berhad, which set the sustainability targets. To ensure alignment, we adopted Boustead's high-level targets and incorporated them into our business operations.

Our robust sustainability governance structure ensures that we are on the right track in achieving our sustainability targets. The Sustainability (ESG) Department is responsible for ensuring the implementation of our key sustainability initiatives while the SWC and the SMC monitor and review our sustainability performance and report to the Management regularly.

MAPPING OUR MATERIAL MATTERS

Pharmaniaga adopts the materiality mapping approach to identify, prioritise and manage issues that are vital to us and our stakeholders. We have mapped our material sustainability matters for 2022 to relevant stakeholder groups and our Sustainability Goals. The table below also shows how each material matter is linked to the relevant key strategic risks.

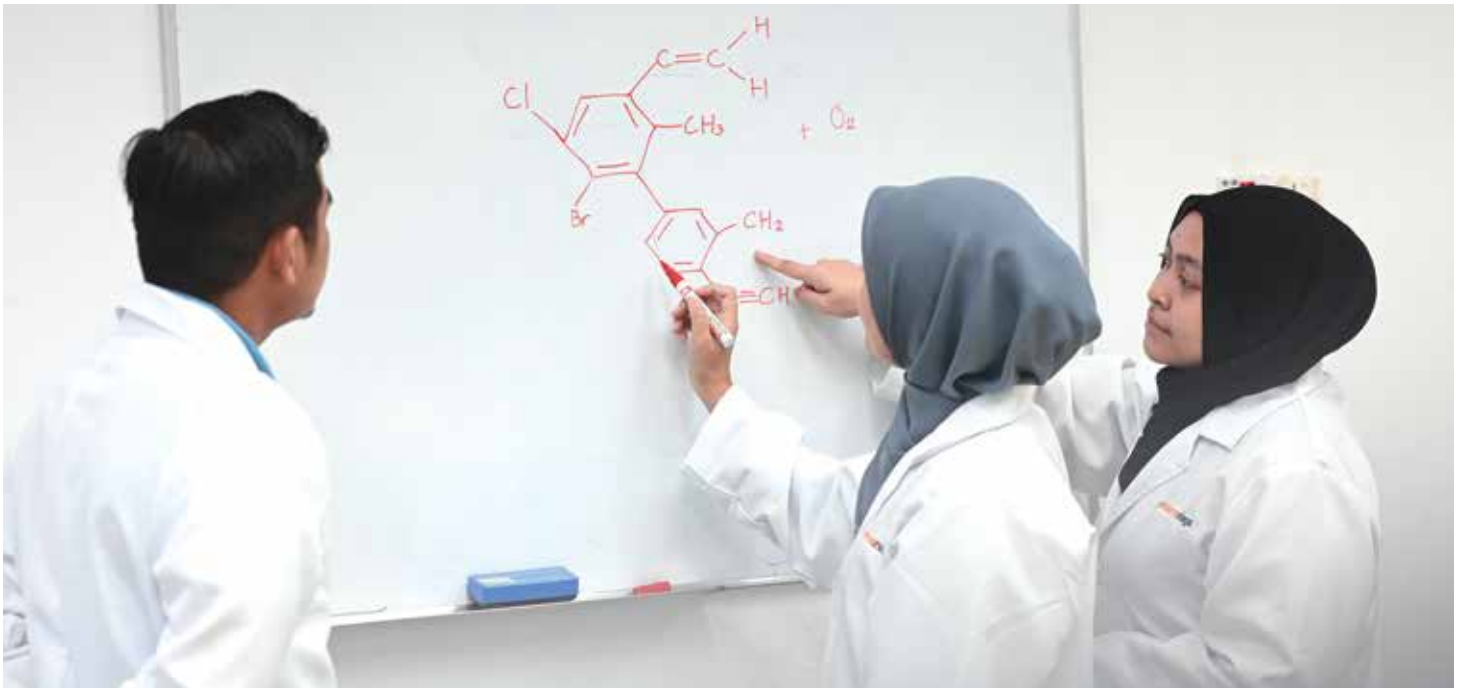
In quarter one, we aligned the sustainability matters process with our risk assessment through an impact assessment process to facilitate harmonising sustainability matters with our business risks. We also integrated the environmental sustainability risks into the Company's Enterprise Risk Management to better manage our impact on the environment.

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns							How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities		
Business Continuity	Ensuring business continuity throughout all challenging and unprecedented conditions to ensure continued value creation and resilient financial growth	●	●	●	●	●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	• Business Risk • Financial Risk • Legal and Regulatory Risk
Technology & Innovation	Investing in technology and innovation to keep up with the evolving needs of the healthcare industry and the community at large to ensure we remain relevant	●	●			●		●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	• Financial Risk • Legal and Regulatory risk
Customer Satisfaction	Maintaining trust and strong relationships with customers through ensuring accuracy and truthfulness of information of products and services, and advocating for a sustainable supply chain to minimise adverse environmental and social impacts and meet the current demand for sustainably sourced products	●	●			●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	• Legal and Regulatory Risk • Business Risk
Sustainable Products & Services	Providing affordable quality medicines and medical devices to ensure accessibility of pharmaceutical products and meet the needs of all communities, including the Muslim community	●	●					●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	• Business Risk • Legal and Regulatory Risk • Financial Risk

STRATEGIC REVIEW
MATERIAL SUSTAINABILITY MATTERS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns							How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities		
Corporate Governance & Business Ethics	Upholding high standards of integrity and demonstrating our corporate values and principles, including protecting data privacy, to maintain the trust with stakeholders such as customers, suppliers, business partners and regulators	●	●	●	●				GOAL 2: Acting with Integrity	• Financial Risk • Legal and Regulatory Risk • Cybersecurity Risk
Environmental Compliance	Operating in a responsible and sustainable manner to minimise the negative environmental impacts of our operations and maintain our license to operate	●		●			●	●	GOAL 3: Achieving Operational Eco-Efficiency	• Environmental Sustainability Risk • Legal and Regulatory Risk
Resource Efficiency	Consuming resources responsibly by minimising waste, ensuring efficient waste management and complying with the necessary rules and regulations to mitigate environmental pollution	●		●			●	●	GOAL 3: Achieving Operational Eco-Efficiency	• Environmental Sustainability Risk • Legal and Regulatory Risk
Greenhouse Gas & Climate Change	Minimising greenhouse gas emissions across our operations to address climate change and future-proof our business through our decarbonisation programme to develop climate resilience	●		●			●	●	GOAL 3: Achieving Operational Eco-Efficiency	• Environmental Sustainability Risk • Legal and Regulatory Risk
Talent Management	Upholding employee rights and human rights in compliance with labour laws, investing in employees' learning and development, promoting equal opportunities to shape future leadership and preventing discriminatory practices to meet the needs of our people and retain the best talent to continue to deliver excellence and grow sustainably	●		●				●	GOAL 4: Creating a Sustainable and High-Performance Workforce	• Business Risk • Legal and Regulatory Risk

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns							How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities		
Health & Safety	Keeping our people and contractors safe at the workplace to keep up the morale of our workers and maintain our license to operate	●		●					GOAL 4: Creating a Sustainable and High-Performance Workforce	• Legal and Regulatory Risk • Business Risk
Supporting Local Businesses	Providing business opportunities to local suppliers and vendors to contribute to local economic growth				●	●		●	GOAL 5: Building a Better Society	• Business Risk
Corporate Responsibility	Engaging with the local communities in which we operate to empower the vulnerable and the underserved to meet their needs and contribute to the development of an equitable future for all						●	●	GOAL 5: Building a Better Society	• Business Risk



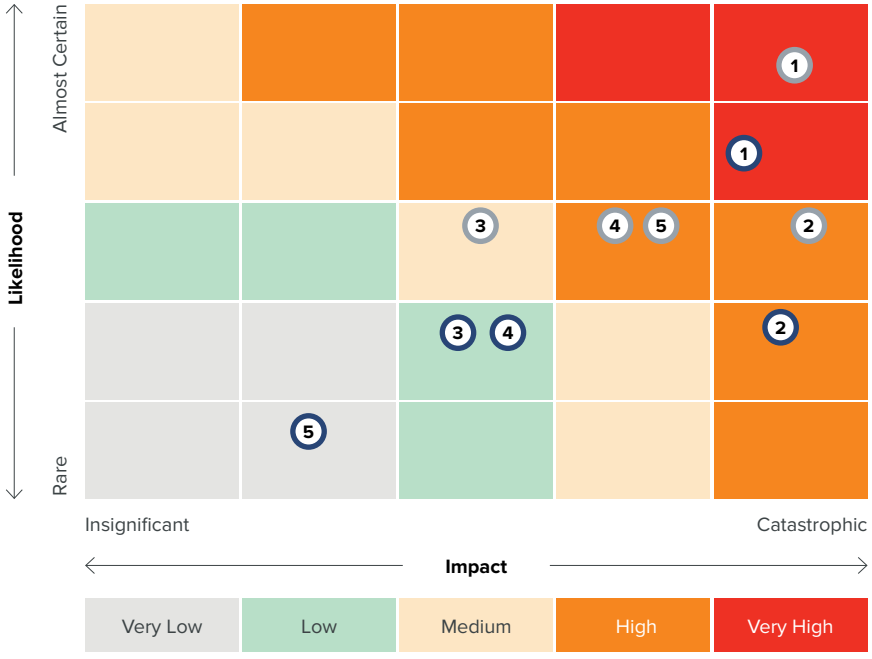
RISK OVERVIEW

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.

RISK OVERVIEW: KEY RISKS & MITIGATION



Risk Description:

1. Financial Risk
2. Business Risk
3. Environmental Sustainability Risk
4. Legal and Regulatory Risk
5. Cybersecurity Risk

Legend:

Gross Risk

Residual Risk

FINANCIAL RISK

RISK DESCRIPTION

Financial risk pertains to the possibility of incurring monetary losses mainly attributed to credit and liquidity management.

POTENTIAL IMPACT

- Inappropriate management of financial risk may materially affect the financial position and business operations.
- Difficulty in obtaining funding, mainly due to PN17 status.

MITIGATION

- Continuous monitoring of cash flow position to meet financial obligations.
- Negotiate with bankers to secure funding and financing.
- Undertake cost control and cost-cutting measures.
- Negotiate with suppliers on payment terms.
- Implement stock optimisation to reduce handling costs.

RISK TRENDS AND IMPACT

The increasing trend is in tandem with the PN17 status.

RESULTS OF MITIGATION ACTIONS

- To uplift PN17 status.
- Business continuity.

IMPACTING

- Capital • Material Matters • Stakeholders

BUSINESS RISK

RISK DESCRIPTION

A number of risks may potentially impact the development and execution of our business strategies, which include the increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policies and availability of supplies.

POTENTIAL IMPACT

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

MITIGATION

- Continuously reshape our product portfolio to achieve appropriately balanced and diversified offerings, focusing 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.

RISK TRENDS AND IMPACT

The challenging business environment, namely from geopolitical and economic perspectives, did not affect the execution of business strategies due to the close monitoring of product/project progress as well as business results.

RESULTS OF MITIGATION ACTIONS

- Product and project developments are monitored rigorously through various committees for better solutions and more informed decisions.
- Consistently maintain good customer confidence by meeting their business requirements.
- Inked several Memorandums of Understanding (MOU) and Memorandums of Collaboration (MOC) with international strategic partners.

IMPACTING

- Capital • Material Matters • Strategy • Stakeholders

RISK OVERVIEW
KEY RISKS AND THEIR MITIGATION

ENVIRONMENTAL SUSTAINABILITY RISK

RISK DESCRIPTION

Regulators, investors and other stakeholders increasingly expect the Company to reduce and mitigate the environmental impact across our value chain.

POTENTIAL IMPACT

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

MITIGATION

- Enforced the Safety, Health and Environmental Policy and adhered 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 our offices and warehouses.
  - Replacing existing equipment with energy-efficient equipment.
  - Standardising temperature of air-conditioning units and chiller systems.
  - Usage of solar panels.
- Record and monitor buildings' energy consumption, GHG emissions, water consumption, and waste & effluent management.
- Daily inspection of main systems and maintaining a power log to monitor the energy efficiency of our systems and equipment.
- Established a Sustainability Roadmap (2016 - 2030) to provide strategic direction, decision-making and management of sustainability in our daily operations in support of our long-term vision of creating a sustainable future.
- Continuous education and awareness initiatives for employees and other stakeholders on the importance of environmental stewardship.

RISK TRENDS AND IMPACT

Growing demand to increase Environment, Social and Governance (ESG) initiatives.

RESULTS OF MITIGATION ACTIONS

- Maintained our four-star rating in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index
- 17.1% reduction in total GHG emissions across operations against the 2019 baseline.
- Achieved energy savings of 767.48 GJ and avoided 137.10 tCO_2e of GHG emissions from the utilisation of renewable energy.

IMPACTING

- Capital • Material Matters • Stakeholders

LEGAL AND REGULATORY RISK

RISK 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.

POTENTIAL IMPACT

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

MITIGATION

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

RISK TRENDS AND IMPACT

The risk trend remains unchanged. The status of risk factors, events or occurrences is mainly the same.

RESULTS OF MITIGATION ACTIONS

No major findings and non-compliance issues in 2022 due to ongoing internal review and external audit from various parties.

▶ IMPACTING

- Capital
- Stakeholders

RISK OVERVIEW
KEY RISKS AND THEIR MITIGATION

CYBERSECURITY RISK

RISK DESCRIPTION

The more we adopt digital technologies to remain relevant and competitive, the greater our exposure to cybercrime.

POTENTIAL IMPACT

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

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 cyber threats.
- Periodically conduct the Vulnerability Assessment and Network Penetration Test (VANPT).
- Conduct training and awareness initiatives for all employees so they understand and recognise cyber threats and build a cybersecurity mindset.

RISK TRENDS AND IMPACT

Digital technologies continue to revolutionise the way companies conduct business. Keeping pace with the speed of digital transformation is imperative for the Group's future. The Group shall remain steadfast with effective controls to mitigate major business disruptions deriving from cybersecurity.

RESULTS OF MITIGATION ACTIONS

- Successfully conducted the VANPT exercise with no major findings.
- Successfully conducted Disaster Recovery Plan (DRP) testing exercise on critical business functions with no major findings.
- No major cyber threat incidents throughout 2022.

IMPACTING

- Capital • Material Matters • Strategy • Stakeholders

STRATEGIC PILLARS
7 FOCUS STRATEGIES

ENSURING SUSTAINABLE GROWTH

6 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

1 Establishing the Premier Integrated Logistics & Distribution Dominance

2 Research & Development in Healthcare for Sustainable Growth

3 Develop Biopharmaceutical Capabilities

4 Grow Pharmaniaga Household Brand and Medical Devices Through Integrated Branding and Marketing

5 Strengthen Footprints in International Ventures via Focus Countries

7 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

STRATEGIC PILLARS
7 FOCUS STRATEGIES

1 Establishing the Premier Integrated Logistics & Distribution Dominance

1 Logistics & 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 Logistics & Distribution 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

2 Research & Development in Healthcare 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

3 Develop Biopharmaceutical Capabilities

1 COVID-19 Vaccine

- Continue to supply COVID-19 vaccines with existing 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

4 Grow Pharmaniaga Household Brand 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

5 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

6 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

7 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

MANUFACTURING

World-class Halal compliant manufacturing facilities

WHAT WE DO

Pharmaniaga's Manufacturing Division is a crucial aspect of the company's operations, as it is responsible for producing a wide range of products that are distributed to our customers. We are committed to producing high-quality generic pharmaceutical products in compliance with all regulatory and statutory requirements, with a strong emphasis on manufacturing excellence. This ensures that the products manufactured are consistent while maintaining reproducible product quality.

Apart from conventional generics, the Division has optimised processes for newer segments and therapeutic areas such as nutraceuticals, supplements, vaccines, insulins and complex biologics.

Pharmaniaga's manufacturing activities are in full alignment with the Group's strategies for sustainable growth. The manufacturing centre has also established itself as the centre of manufacturing excellence.

BUSINESS ENVIRONMENT

As COVID-19 restrictions eased, the pharmaceutical sector saw a steady recovery throughout the year, resulting in increased demand for prescription drugs, while demand for over-the-counter (OTC) medicines stabilised. The number of patients visiting clinics and hospitals also increased, particularly among tourists, following the reopening of international borders. Under research and development, there was a strong focus on developing bio-pharmaceutical products, including vaccines, insulins, enoxaparin, and monoclonal antibodies. For pharmaceuticals, the emphasis has been on developing and registering products in major therapeutic areas, such as cardiovascular, central nervous system, anti-infective, anti-diabetic, pain management, and gastrointestinal drugs.

BUSINESS PERFORMANCE REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Boosting business growth	• Becoming a global biopharmaceutical manufacturer • Global market expansion • Registration of new products	• Expanded vaccine and insulin manufacturing facility • UAE manufacturing site registration • Obtained 12 new pharmaceutical products registration
Strengthening profitability	• Increased capacity to support private and OTC market growth	• Increased oral solid filling line capacity by upgrading tablet manufacturing • New sachet filling machine installation • Multi-tip punches compression for oral solids implemented to increase manufacturing capacity • Powder filling line upgraded to enhance capacity • Filling machine installation and commissioning
	• Reduced cost of goods sold	• Reduced batch changeovers, process cycle time, testing, and waste by optimising product batch sizes
	• Achieved competitive pricing	• Reduced cost for active pharmaceutical ingredients and packaging materials
Building trust	• Robust supply chain for market consistency	• Business intelligence (BI)-based real-time manufacturing and delivery performance visualisation • Demand forecasting is improved by data analytics and lean tools • Demand-based strategic inventory management
	• Maintain high product quality standards	• Maintained multiple Good Manufacturing Practices Certification • ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification for all manufacturing sites

BUSINESS REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Engaging appropriate partners in getting the required antigens for in-house vaccine development programme	• Collaborated with recognised, reliable and globally-accepted vaccine manufacturers as development and testing partners	• Signed off on a business agreement with selected partners; development work is in progress
Finding key talent in biopharmaceutical product development area	• Hired experienced personnel with vast knowledge in vaccine development and clinical research	• Shaped a strategic direction along with diversified product portfolio for vaccine development
	• Established Scientific Advisory Group (SAG) with global scientific and technology experts	• Strategic opinion for vaccine deliverables was provided by SAG
High dependence on external contract research organisation's (CRO) or bio-equivalence (BE) centre for bio-equivalence studies for pharmaceutical products	• Explored development of local capabilities to conduct bio-equivalence studies	• Identified one BE centre in Malaysia for a pilot study of one product
	• Strategically aligned with several BE centres in Thailand to conduct BE studies and expand the Thailand market	• Signed off on MoU and collaborative agreement with Bio Innova, Thailand

KEY ACHIEVEMENTS

- RM3.9 million in yield and capacity improvements
- Lead time, cycle time, inventory reduction, and productivity improvements totalling RM0.75 million were achieved

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Rising financing costs	• Stock optimisation strategy such as prudent in spending, stock optimisation exercise and business streamlining	• Improve profitability
Increase in price of raw materials from overseas	• Implemented cost control measures	• Maintained majority of cost of goods sold (COGS)
	• Utilised lean manufacturing tools to streamline, innovate, and identify new operational methods	• Increased batch size to reduce COGS
Lead time increase due to pandemic and geopolitical instability	• Negotiated with suppliers on stock prioritisation and delivery	• Maintained production schedules as per plans
Sudden surge in product demand post pandemic	• Increased manufacturing capacity via campaign manufacturing • Enhanced manufacturing capacity by adding new production lines	• Met customer demand • Installed and commissioned new manufacturing lines

OUTLOOK

Despite ongoing global headwinds, we are cautiously optimistic that the increased demand for our pharmaceuticals, biopharmaceuticals, OTC products and nutraceuticals in 2022 will continue to rise in 2023. Our Manufacturing Division is expected to benefit from the favourable outlook for healthcare facility operators as patients return and public spending on supplementary healthcare products increases.

To improve our bottom line, we will be implementing cost-optimisation measures in 2023 through our Pharmaniaga Production System, which will utilise Lean manufacturing tools such as our Value Stream Mapping, bottleneck analysis, as well as batch size reviews. We are also collaborating with the Malaysian Productivity Council under the Ministry of International Trade and Industry to develop an Industry 4.0 roadmap upon completion of our Industry 4.0 readiness assessment.

On the whole, last year was fruitful for our Division as we successfully filed key products in local and international markets and strengthened our product pipeline for future growth. We commercialised many high-value in-house developed products after successfully executing validation batches. Moving forward, we will continue to register high-quality generic pharmaceutical products to accelerate Pharmaniaga's growth through in-house development or international collaboration.

We plan to vigorously penetrate regulated international markets such as the Gulf Cooperation Council (GCC) and the UK. Additionally, we will accelerate our biopharmaceutical product development programme to maintain our position as the leading biopharmaceutical manufacturer in Malaysia.

Our strategic focus remains on strengthening our business operations in Indonesia by providing centralised product development services and/or product technology transfer. We are committed to delivering innovative, high-quality healthcare products to our customers while remaining cost-efficient and competitive in the market.

LOGISTICS & DISTRIBUTION

Extensive logistics and distribution network across Malaysia

WHAT WE DO

With over three decades of experience in supply chain solutions and last-mile delivery, the Logistics & Distribution Division is involved in the sales and distribution of pharmaceuticals, over-the-counter (OTC) products, medical equipment, consumable items, and medical devices to public and private sector hospitals, clinics and healthcare centres.

BUSINESS ENVIRONMENT

As Malaysia entered the endemic phase, the Logistics & Distribution Division reprioritised resources into other areas of growth, moving away from the task of delivering COVID-19 vaccines to Government facilities. The Ministry of Health (MOH) entrusted our subsidiary, Pharmaniaga Logistics Sdn Bhd, with the responsibility of managing the logistics and distribution of Pfizer's Paxlovid, which is a medication to treat COVID-19. In addition, Pharmaniaga Logistics also managed the export of the Government's COVID-19 vaccine donations to several nations. In 2022, the concession agreement was extended by six months until June 2023 and is pending the finalisation of a new agreement. We have also received a Letter of Intention from MOH to continue our services in supplying medical supplies to Government facilities for a period of 10 years.

Additionally, we decided to focus on market diversification, particularly into the fast-moving consumer goods industry's personal care segment , the provision of integrated logistics service offerings, and the supply of essential medicinal drugs to support the private market. As part of our service offerings, we also built our Market Expansion Services (MES) capabilities.

Despite encountering fierce competition during the year, we were able to assist and complement the healthcare ecosystem by making use of our wide distribution coverage areas. We ensured that all our clients, including those in the private sector, had access to vital pharmaceuticals. At the same time, the Division's market shares increased thanks to our distribution system.

We were also able to tap underserved segments of the healthcare ecosystem by maintaining good relationships with existing service providers and vendors, as well as bringing in new innovative product offerings.

In an effort to pursue new business prospects through both the government and commercial markets, we focused on warehouse growth in 2022. To date, we have established three additional warehouses to optimise efficiency in serving customers across the Central and Northern regions. This includes a dedicated warehouse to better serve the business-to-business and business-to-consumer private markets.

BUSINESS PERFORMANCE REVIEW

LOGISTICS & DISTRIBUTION

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Solidify position as the Government's partner of choice • Secure concession renewal • Enhance profit contribution from the APPL/Concession business	• Solid performance track record and capabilities • Prioritising in-house products to boost APPL revenue • Participation in MOH's Centralised Tenders & Local Purchase Orders and distributorship agreements	• Achieved 98.7% compliance with MOH performance standards for medicine and medical supply delivery • Scored 4.40 on customer satisfaction survey for public sector clients • APPL in-house product sales rose over 30% from 2021
Position Pharmaniaga as an Integrated Logistics Provider to diversify market exposure • Diversify into non-concession distributorship • Diversify into healthcare distribution market	• Expanded footprint in the private healthcare market to reduce reliance on concession business • Entered the healthcare sector of the personal care segment	• Established service capabilities for market expansion

LOGISTICS & DISTRIBUTION (continued)

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Optimising operations	• Expansion of warehouse capacity	• Established two new warehouses
	• Improvements to research and development in the fields of supply chain management, operations management, data science, and artificial intelligence (AI)	• Completion of the first stage of collaboration with the University of Technology Malaysia (UTM), Johor on the Sample Automation Project • Developed a supply chain management system with AI for predictive stock forecasting, stock holding, and pallet capacity planning with UTM KL
	• Robotic Processing Automation (RPA) as an Internet of Things initiative	• Increased daily RPA use, especially in order processing
	• Embracing electric vehicles (EV)	• Embarked on the utilisation of two electric vans for the delivery of medicines to health clinics and government hospitals within Klang Valley resulted in approximately 70% and 45% of reduction in fuel cost and GHG emissions, respectively

KEY ACHIEVEMENTS

- APPL/Concession sales in 2022 hit RM1.72 billion, surpassing the 2022 target by over 2.7%
- Achieved 98.7% compliance to Concession key performing indicators
- Two central region distribution centres began commercial operations in 2022
- Sales of in-house products touched 15% of total revenue in 2022

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Substantial increase in demand caused challenges in stock availability and infrastructure capacity	• Closely monitored demand pattern and stock planning • Operated new third-party warehouses	• Extra staging area put in place for better operational execution
Change in demand dynamics post-pandemic	• Closely monitored fast and slow-moving items • Enhanced sales	• Developed greater flexibility in responding to a changing business climate, in terms of human resources and capabilities required to deal with crises and other factors affecting the entire supply chain
Supply disruptions due to issues at suppliers' end	• Worked closely with MOH and suppliers to find solutions to resolve supply issues, including actively seeking backup suppliers	• Ensured stock availability by sourcing from approved alternative suppliers

SALES & MARKETING

We focused on the sales of Pharmaniaga's generics, dental, OTC supplements, nutraceuticals, third-party pharmaceuticals and medical consumables as well as equipment and devices produced either locally or internationally for Pharmaniaga.

BUSINESS REVIEW

BUSINESS PERFORMANCE REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
To sustain the growth in the private market with new launches	• Launched 16 products covering all therapy areas, including Ravida for HepC, Euvax B – vaccine, Roxatin – Cardio, Xynoz – antihistamine and many more	• Enabled us to capture new sales that contributed significantly to our growth. The sales doubled versus the previous year for the private sector to RM90 million and overall registered record high sales of RM827 million
Existing key products to grow and capture higher market share	• Continued effective strategies and marketing activities for key brands through symposiums, blitz and cycling positioning statement to capture new patients	• Achieved market-leading brands in all five therapy focus areas of the Group • Rabirox, a pain management product, captured over 24% market share. Other brands such as Aspira and Zithrolide, which have been in the market for over 5 years, commanded over 50% of market share
Increase number of new users including doctors and pharmacies	• Increased sales efficiency via CRM and registered new accounts via attractive new user promotions	• Recorded the highest number of new users with a 33% increase representing approximately 242 new users. The promotions for Euvax B, high demand for cough syrups and antibiotics enabled us to attract many new users
Expand into high value sales products such as originator brands, vaccines and blood products	• Engaged with key opinion leaders (KOLs) to increase usage of blood products and vaccines in hospitals. • Supported hospitals' requests for talks and seminars	• Achieved close to RM2 million in sales for Euvax within five months of its launch. This was higher than the sales achieved for the Sanofi product in 2021 • We have gained significant usage in all major Government and private hospitals for usage of Octaplex as the first choice in intensive care units
Increase sales presence of medical device business in the private market	• Reorganised the sales team and our approach in targeting the right customers. • Further revised of the incentive scheme	• Penetrated some new dialysis centres • Increased high-value sales and high-margin brands from Hillrom and 3M

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Expand the general pharmaceutical segment by focusing on therapy ranges such as diabetes, anti-Infectives, pain management and respiratory products	Launched new products in focused therapeutic categories	• Achieved market-leading brands in all five therapeutic categories focused by the Group • Rabirox, a pain management product, captured over 15% of market share within six months of its launch
For the dental range, to launch suitable new product developments (NPD) in the Wellness Category	• Expanded existing Vitamin C and Paracetamol product ranges • Developed a robust NPD pipeline ensuring 3 - 5 new product launches per annum • Developed new products in line with market demand	• Launched new Citrex Vitamin C Powder and Citrex Vitamin C Gummies products • Launched New ActiMol PCM for kids – 250mg/5ml and 120mg/5ml products • NPD pipeline included products in nutritional supplements for life-stage, post-partum and diabetic care
Strengthen brand awareness for consumer healthcare segment	• Invested in brand building activities in relevant media • Increased investment and consumer engagement across social media platforms	• Citrex Vitamin C TVC campaign • Baraka Black Seed Oil sponsorship of popular TV3 Jejak Rasul programme • ActiMol PCM campaign over national radio stations • Citrex Vitamin C “S.M.I.L.E with Citrex” campaign • ActiMol PCM “Feeling Feverish” campaign • Baraka Black Seed Oil “Anugerah Ramadan” campaign
Expand distribution in both medical and non-medical channels for consumer healthcare segment	• Organised Citrex Vitamin C distribution drives at pharmacies • Organised ActiMol PCM merchandising drive via both medical and non-medical channels • Organised Baraka Black Seed Oil distribution drives at traditional outlets	• Secured 55% Citrex Vitamin C range distribution for the pharmacy channel • Secured more than 2,000 merchandisers at both pharmacies and convenience outlets • Expanded Baraka distribution by 29% through traditional channels
Improve product access for end consumers for consumer healthcare segment	• Activated RoyalePharma 24/7 vending machines for OTC products at high-traffic locations	• Activated 19 Royale Pharma 24/7 vending machines at selected LRT stations, BHP and Petronas Petrol stations, hospitals and office buildings

BUSINESS REVIEW

KEY ACHIEVEMENTS

- Sales in private market grew by almost 50%
- Products launched: Euvax B, Roxatin, Cruzor & Xynoz
- Dental business grew by RM 2.1 million, with a remarkable 159% growth compared to 2021
- Sale of Gengigel, increased by 48% to more than RM7.2 million, making it the highest-selling consumable medical device in Malaysia in 2022
- Vaginal Hyal listed as the first non-hormonal product for post-menopausal management in the Malaysia Clinical Practice Guidelines (CPG)
- Citrex Vitamin C range and ActiMol Paracetamol for kids launched
- 19 RoyalePharma 24/7 vending machines operating in Klang Valley & Melaka

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Faced massive supply shortage for respiratory products and antibiotics due to surge in market demand as schools and businesses reopened after the pandemic	• Coordinated with manufacturing team to prioritise selected key products and engaged third-party suppliers for urgent special import permit delivery with support from manufacturing and and the Regulatory Affairs team	Fulfilled demand from key customers. This resulted in us achieving record high sales for antibiotics and respiratory products
Delay in new launches, particularly Plecaz MR, which is a new product for diabetes, that was scheduled for delivery in June 2022. Following multiple delays, the product was not delivered in 2022	• Redirected focus to other products for our cardiovascular products launch such as Roxatin and Cruzor • Managed doctors' expectations by offering special promotional packages for other products	• 16 products were launched in 2022 • Sales from respiratory and pain management products as well as antibiotics mitigated impact from delivery delays for Plecaz MR
Lengthy time and complex processes to develop new products	• Collaborated with local research and development houses as well as manufacturers to launch registered products	• 15 SKUs were launched via third parties
High investment cost in building a brand	• Prioritised advertising expenditure on key brands	• ActiMol was advertised on radio • Citrex and Baraka were advertised on television • All three brands were promoted on billboards
High costs to develop and maintain systems	• Consolidated systems to achieve a more streamlined operation	Migration to PIERS (Oracle) for Pristine Pharma Sdn. Bhd. in June 2022
Delay in credit limit revision hampering business growth	• Organised discussion with all stakeholders to gain collective agreement on credit limit revision	Credit limit extension approval with agreed timelines

OUTLOOK

Looking forward, we aim to expand our exposure in the private sector business. In this regard, Pharmaniaga has begun expanding into the FMCG distribution market, with a focus on personal care products. Our Logistics & Distribution Group Division is also looking to expand into new geographic regions by capitalising on synergies with our Indonesian subsidiary, PT Millennium Pharmacon International Tbk.

Meanwhile, the provision of medicines and medical supplies for MOH has been extended until June this year. As the negotiations for renewal are in the midst of the final stages, the Group continues to operate as usual, ensuring uninterrupted medical supplies to all MOH's health facilities.

INDONESIA OPERATIONS

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

WHAT WE DO

Our operations in Indonesia are driven by our two subsidiaries, PT Errita Pharma (Errita) and PT Millennium Pharmacon International TBK (MPI). Errita, founded in 1973, specialises in the production of generic pharmaceuticals as well as over-the-counter (OTC) products. Errita manufactures over 60 generic pharmaceutical products at highly competitive prices at its Bandung plant. MPI is a pharmaceutical, OTC food supplement, medical consumables and consumer products distributor that serves 30 principals, including Errita. A publicly traded company on the Indonesia Stock Exchange, MPI distributes over 4,000 different products to over 18,000 active medical channels, including government hospitals, private hospitals, pharmacies, and modern retail outlets, through 33 distribution and logistics branches.

BUSINESS ENVIRONMENT

Indonesia's pharmaceutical market, which is the largest in Southeast Asia, witnessed continued growth in 2022. In particular, there was a surge in consumption of health supplements and OTC products as market demand shifted away from COVID-19-related medications. Increasing awareness of health supplements and the rise in non-communicable diseases such as diabetes also contributed towards the heightened demand.

Our Indonesian operations saw a significant jump in bottom line on the back of improved efficiency, driven by stock optimisation, aggressive collection effort as well as digitalisation of business processes. However, an impairment of goodwill of RM50.3 million made on the Indonesian manufacturing unit adversely affected the financial performance in FY2022.

BUSINESS PERFORMANCE REVIEW

Manufacturing

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
To be a leading generic brand pharmaceutical manufacturer specialising in focused Area Therapeutic Class products	• 2023-2030 New Product Developent (NPD) strategy blueprint	• Sales and marketing division established • Good progress on sales and marketing efforts
High level of engagement with healthcare professionals in order to broaden business network	• Collaboration with: – The Indonesian Medical Association – Indonesian clinic associations • Engagement with national pharmacy account	• Contract with Tangerang-Banten-Serang Associations has been established in February 2023 • 150 clinics have signed the contracts for clinics accreditation programme with Errita in February 2023 • Target revenue for clinics: Close to RM1 million • K-24 and Kimia Farma has listed our products and signed the trading terms in 2023 • Target revenue for K-24 and Kimia Farma: Approximately RM7.5 million

BUSINESS REVIEW

Logistics & Distribution

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Expansion of our business footprint across Indonesia	• Increased our capital expenditure (CAPEX) to expand the business	• IDR5 billion in CAPEX was spent in 2022; 20% higher than 2021. CAPEX was mainly for upgrading delivery vehicles and enlarging warehousing capacity in branches such as Jambi, Semarang, Purwokerto and Sidoarjo.
Expanding our principal/ supplier network to gain market share	• On-boarded new principals/suppliers	• Revenue increased by 10%, owing primarily to increased sales of drugs and medical disposables • Obtained a new distributorship agreement
Manage rising costs	• Identified key cost-cutting opportunities	• Operational expenses were up by 5%, which was in line with the sales growth of 10%
Continuously improve operational excellence	• Trained staff members to improve key skills and competencies	• A total of 24 headquarters (HQ) managers, 33 branch managers, and 508 workers were upskilled in 2022 via external and in-house training programmes. A total of IDR141 million was invested in employee training

KEY ACHIEVEMENTS

- Errita's revenue increased by 9.1%
- Awards received by MPI:
  - Penghargaan Distributor Obat dari RS Bethesda Yogyakarta
  - Penghargaan Indonesia Best Choice in Pharmaceutical Company Award 2022 by Indonesia Best Choice Award

CHALLENGES & RISKS

CHALLENGES	MITIGATING ACTIONS	RESULTS
Increase in raw material prices	• Negotiated bulk purchases of some active pharmaceutical ingredients from suppliers • Sourced for new packaging materials with lower price	• Discussion has been initiated with Sinobright-China and Zhejiang Chemicals for Amoxicilin yearly volume contract in February 2023 • New packaging materials for Trading-Commodity products have utilised recycled paper materials since 2022
Stiff competition in the manufacturing business	• Held continuous discussions with distributors on new sales and marketing strategies to be deployed by distributors including Level 2 pharma outlets programme to build demand creations	• Achieved year-on-year improvement in sales value and volume
The Indonesian Badan Pengawas Obat dan Makanan (BPOM) expressed concern about the use of ethylene glycol and diethylene glycol in syrup-based products	• We collaborated with several accredited labs to conduct tests to ensure that our products met BPOM specifications	• More than 30% of our products have passed laboratory tests, with more in progress
Issues in achieving optimal operational performance	• Enhanced digitalisation and automation system to support operations • Purchased gas chromatography (GC) instruments to test the EG-DEG	• Improved order management and better output for enhanced operational efficiency, payment system and delivery. MPI also introduced Web Discount for online approval, BerryPay for cash collection and Monitoring Dashboard for delivery to our branches • Errita Lab Room infrastructure has been built and set up in March 2023, the Purchase Order of the GC has been submitted to the suppliers in March 2023

OUTLOOK

Amidst the global economic slowdown expected in 2023, we remain cautiously optimistic about the future growth potential of our Indonesian operations. On the back of sustained private consumption, we expect demand for pharmaceuticals and healthcare products to continue resiliently in 2023.

We anticipate the Indonesian operations to play a significant role in the Group's expansion moving forward, particularly in light of the segment's strong performance in FY2022, when it recorded a double-digit growth. Our efforts to expand our presence in the Indonesian market have begun to bear fruit, and we intend to keep that momentum going.

Errita seeks to expand its presence in the pharmaceutical and OTC markets by increasing the size of its in-house sales force and the variety of products it offers. MPI is working towards widening its customer base by establishing new branches outside the Greater Jakarta area. As part of its growth strategy, MPI also intends to strengthen its vertical expansion by developing its own OTC pharmaceutical products and medical devices and by strengthening collaboration with its sister company, Errita, to build a strong marketing team for the conventional pharmaceutical market.

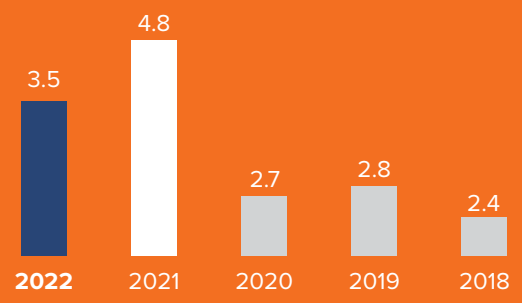
FIVE-YEAR GROUP FINANCIAL SUMMARY

All figures are in RM million unless otherwise stated		2022	2021	2020	2019	2018
FINANCIAL PERFORMANCE						
Revenue		3,510.7	4,815.0	2,725.1	2,820.5	2,385.0
(Loss)/Earnings before interest, taxation, depreciation and amortisation		(505.3)	342.3	101.2	130.6	153.5
(Loss)/Profit before zakat and taxation		(580.8)	277.1	35.8	(191.9)	70.2
(Loss)/Profit after taxation		(605.1)	172.2	26.3	(149.4)	43.2
Net attributable (loss)/profit		(607.3)	172.1	27.5	(149.2)	42.5
(Loss)/Earnings per share*	sen	(46.36)	13.15	2.10	(11.44)	3.27
Return on equity	%	(602.14)	43.7	8.1	(35.2)	8.2
Return on assets	%	(26.58)	16.1	4.3	(8.7)	6.0
Return on revenue	%	(15.4)	6.4	2.5	(5.4)	4.4
DIVIDENDS						
Dividend payout	%	(4.1)	70.4	104.7	(14.9)	98.0
Dividend payment		24.9	121.8	28.8	22.2	41.6
Net dividend per share*	sen	1.90	9.3	2.2	1.7	3.2
Dividend yield	%	3.5	12.6	2.2	4.1	5.8
Dividend cover	times	(24.4)	1.4	1.0	(6.7)	1.0
GEARING						
Borrowings		1,158.9	855.2	669.6	565.3	642.8
Gearing	times	(4.7)	1.9	2.0	1.7	1.3
Interest cover	times	(13.5)	9.3	2.0	(3.8)	2.9
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	(0.19)	34.4	25.8	25.9	39.1
Price earning ratio times	times	(1.2)	5.6	47.6	(3.6)	17.0
Paid up share capital		154.2	154.1	153.3	151.9	149.4
Shareholders' equity		(248.7)	450.5	337.5	337.9	509.3
Total equity		(227.4)	470.4	355.0	356.9	528.7
Total assets		1,818.8	2,257.9	1,580.2	1,592.3	1,907.7

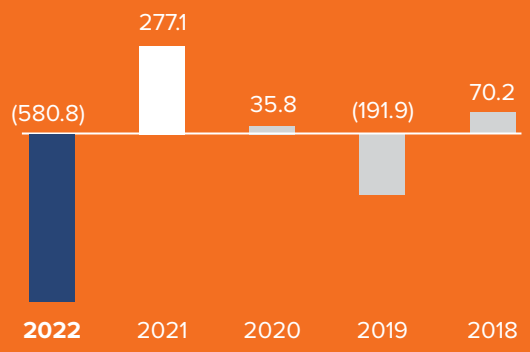
* For comparative purpose, (loss)/earnings per share, net dividend per share and net assets per share for FY2018 - FY2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021

FIVE-YEAR FINANCIAL HIGHLIGHTS

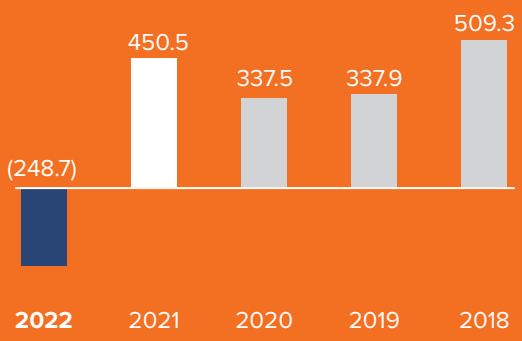
Revenue (RM billion)



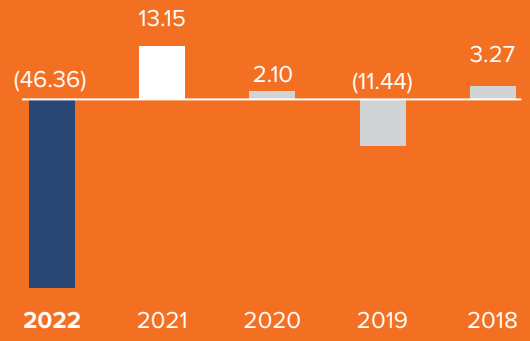
(Loss)/Profit Before Taxation (RM million)



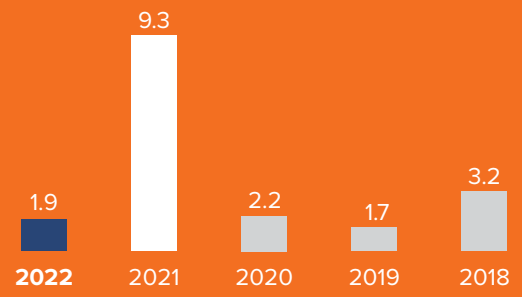
Shareholders' Equity (RM million)



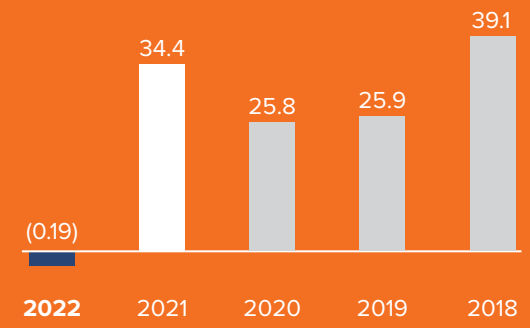
(Loss)/Earnings Per Share (sen)



Dividend Per Share (sen)



Net Assets Per Share (sen)



GROUP QUARTERLY PERFORMANCE

2022					
RM'000	Q1	Q2	Q3	Q4	Year
Revenue	962,174	761,102	924,681	862,720	3,510,677
Profit/ (Loss) before zakat and taxation	37,439	4,521	15,589	(638,395)	(580,846)
Net profit/ (Loss)	28,856	914	9,377	(644,197)	(605,050)
Net profit/ (Loss) attributable to owners of the Parent	27,734	722	8,617	(644,390)	(607,317)
Earnings/ (Loss) per share (sen)	2.11	0.06	0.66	(49.19)	(46.36)
Dividend per share (sen)	0.8	0.5	0.6	-	1.9

2021					
RM'000	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

* For comparative purpose, earnings per share and dividend per share for Q1 2021 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

FINANCIAL YEAR

FINANCIAL YEAR

1 January 2022 to 31 December 2022

RESULT

1st quarter
Announced 20 May 2022

2nd quarter
Announced 19 August 2022

3rd quarter
Announced 24 November 2022

4th quarter
Announced 27 February 2023

ANNOUNCEMENT

INTEGRATED REPORT

Issued
28 APRIL 2023

ANNUAL GENERAL MEETING

To be held online at https://tiih.online

Date : 12 June 2023 (Monday)
Time : 2.30 pm
Broadcast Venue:
Amphitheatre, Level 23, The Bousteador,
No. 10, Jalan PJU 7/6, Mutiara Damansara,
47800 Petaling Jaya

DIVIDEND

1st Interim
Announced : 20 May 2022
Entitlement date : 8 June 2022
Payment date : 6 July 2022

2nd Interim
Announced : 19 August 2022
Entitlement date : 12 September 2022
Payment date : 4 October 2022

3rd Interim
Announced : 24 November 2022
Entitlement date : 9 December 2022
Payment date : 6 January 2023

LEADERSHIP

Corporate Information	94
Board at a Glance	95
Board of Directors	96
Profile of Directors	98
Our Appreciation	105
Executive Committee Members	106
Senior Management Team	108
Profile of Senior Management Team	110

SECTION 05

PRC

CORPORATE INFORMATION

Board of Directors

IZADDEEN DAUD
Non-Independent Non-Executive Chairman

DR. ABDUL RAZAK AHMAD
Senior Independent Non-Executive Director

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

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

DATUK LIM THEAN SHIANG
Independent Non-Executive Director

DR. MARY JANE CARDOSA
Independent Non-Executive Director

AHMAD SHAHREDZUAN MOHD SHARIFF
Non-Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Sarah Azreen Abdul Samat

MEMBERS
Dr. Abdul Razak Ahmad
Datuk Lim Thean Shiang
Ahmad Shahredzuan Mohd Shariff

NOMINATING AND REMUNERATION COMMITTEE

CHAIRMAN
Dr. Abdul Razak Ahmad

MEMBERS
Sarah Azreen Abdul Samat
Datuk Lim Thean Shiang
Ahmad Shahredzuan Mohd Shariff

SUSTAINABILITY COMMITTEE

CHAIRMAN
YB Senator Datuk Dr. Haji Azhar Ahmad

MEMBERS
Dr. Abdul Razak Ahmad
Dr. Mary Jane Cardosa

BOARD RISK AND INVESTMENT COMMITTEE

CHAIRMAN
Datuk Lim Thean Shiang

MEMBERS
Sarah Azreen Abdul Samat
Dr. Abdul Razak Ahmad
Dr. Mary Jane Cardosa

BOARD TENDER COMMITTEE

CHAIRMAN
-

MEMBERS
Sarah Azreen Abdul Samat
Datuk Lim Thean Shiang

COMPANY SECRETARIES

Wan Intan Idura Wan Ismail
(LS 0010668)
Syaruzaimi Yusof
(LS 0010665)

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

Level 23, The Bousteador,
No. 10, Jalan PJU 7/6, Mutiara Damansara
47800 Petaling Jaya, Selangor Darul Ehsan
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

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

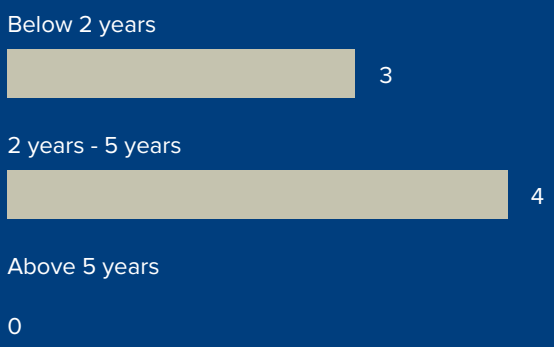
Independent Non-Executive Directors

Non-Independent Non-Executive Director

NATIONALITY

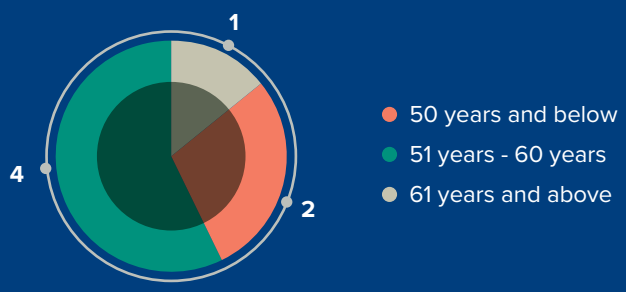
7 Malaysian

BOARD TENURE



GENDER

AGE



BOARD OF DIRECTORS

1 **IZADDEEN DAUD**
Non-Independent Non-Executive Chairman

2 **DR. ABDUL RAZAK AHMAD**
Senior Independent Non-Executive Director

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

4 **SARAH AZREEN ABDUL SAMAT**
Independent Non-Executive Director

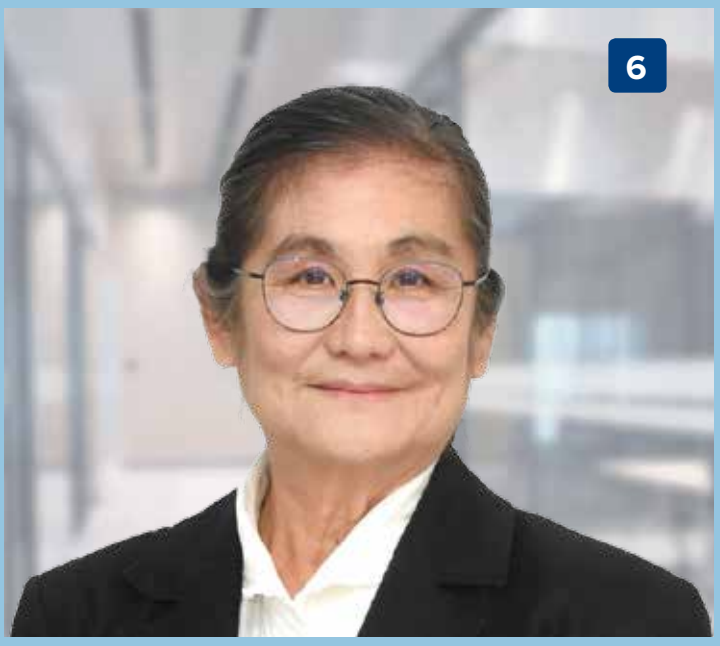
5 **DATUK LIM THEAN SHIANG**
Independent Non-Executive Director

6 **DR. MARY JANE CARDOSA**
Independent Non-Executive Director

7 **AHMAD SHAHREDZUAN MOHD SHARIFF**
Non-Independent Non-Executive Director

2

3


6

7

PROFILE OF DIRECTORS

IZADDEEN DAUD

Non-Independent Non-Executive Chairman

Appointed on 1 March 2021

MALE | 54Y/O | MALAYSIAN

DATE OF LAST RE-ELECTION
16 June 2021

BOARD COMMITTEE(S)
None

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
11/11

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

DETAILS OF ANY INTEREST IN THE SECURITIES OF PHARMANIAGA BERHAD
None

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES
- Boustead Heavy Industries Corporation Berhad
- Boustead Plantations Berhad
- Olympia Industries Berhad

DIRECTORSHIP IN PUBLIC COMPANIES
- Boustead Properties Berhad
- UAC Berhad

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

Working Experience and Occupations

Izaddeen brings with him extensive experience in the areas of corporate finance, investment, accounting, audit and management.

He began his career at Ernst & Young as an auditor. He then shifted his focus on the banking industry up until 1998. Izaddeen then assumed the role of Assustant Vice President of Permodalan Nasional Berhad from 1999 to 2007 and then 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, Izaddeen expanded his horizon by joining Boustead Holdings Berhad (Boustead) 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 appointed as Acting Chief Executive Officer of Boustead Properties Berhad and then as Deputy Managing Director in 2020 and 2021, respectively. In December 2022, Izaddeen was appointed as the Group Chief Executive Officer of Boustead.

On 22 February 2023, Izaddeen was appointed as Non-Independent Non-Executive Chairman of Pharmaniaga.

DR. ABDUL RAZAK AHMAD

Senior Independent Non-Executive Director

Appointed on 20 November 2020

MALE | 51Y/O | MALAYSIAN

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 Risk and Investment Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
11/11

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

Working Experience and Occupations

Dr. Abdul Razak Ahmad is the Founding Director of Bait Al Amanah, a political development think tank in Kuala Lumpur.

He is currently appointed as Special Representative of the Foreign Minister on Peace Building and Countering Islamophobia, Chairman of Education Malaysia Global Services and a member of the Board of Directors at Universiti Malaysia Sarawak (UNIMAS). He is also a member of the Consultative Council on Foreign Policy, Ministry of Foreign Affairs.

He previously served as Special Advisor to the Minister of Higher Education Malaysia, Advisor to the Chief Minister of Johor and a consultant to the special consultancy team on globalisation at the National Economic Action Council (NEAC) of the Prime Minister's Department.

Dr. Abdul Razak was also a faculty member at the National Defence University Malaysia, teaching international security, international law and global affairs. He is an Adjunct Professor at Universiti Sains Malaysia at present.

On the international front, Dr. Abdul Razak has served as a consultant and policy advisor in international development projects in Bahrain, Libya, Tunisia, Palestine, Indonesia, the Philippines, Vietnam, Fiji, Papua New Guinea and Timor Leste. He also used to serve as the resource person for the European Union and the World Bank on human development and human security-related issues.

He is a qualified legal counsel and received his PhD in Law and International Security from the University of Leeds, UK. He did his fellowship at East West Centre (University of Hawaii) and was a visiting researcher at Colombia University. He also attended leadership executive programmes at Said Business School (Oxford University) and Kennedy School of Government (Harvard University).

On 22 February 2023, Dr. Abdul Razak was redesignated as Senior Independent Non-Executive Director of Pharmaniaga.

PROFILE OF DIRECTORS

YB SENATOR DATUK DR. HAJI AZHAR AHMAD

Independent Non-Executive Director

Appointed on 3 August 2020

MALE | 60Y/O | MALAYSIAN

DATE OF LAST RE-ELECTION
13 June 2022

BOARD COMMITTEE(S)
Chairman of Sustainability Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
11/11

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

Working Experience and Occupations

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.

SARAH AZREEN ABDUL SAMAT

Independent Non-Executive Director

Appointed on 20 August 2021

FEMALE | 47Y/O | MALAYSIA

DATE OF LAST RE-ELECTION
13 June 2022

BOARD COMMITTEE(S)
- Chairman of Audit Committee
- Member of Nominating and Renumeration Committee
- Member of Board Risk and Investment Committee
- Member of Board Tender Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
11/11

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
- Reneuco Berhad (formerly known as KPower Berhad)
- PT Millennium Pharmacon International Tbk

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

Working Experience and Occupations

Sarah has over 22 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 Reneuco Berhad (formerly known as KPower 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.

PROFILE OF DIRECTORS

DATUK LIM THEAN SHIANG

Independent Non-Executive Director

Appointed on 20 July 2022

MALE | 51Y/O | MALAYSIAN

DATE OF LAST RE-ELECTION
None

BOARD COMMITTEE(S)
- Chairman of Board Risk and Investment Committee
- Member of Audit Committee
- Member of Nominating and Remuneration Committee
- Member of Board Tender Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
3/3

QUALIFICATION(S)
- Bachelor of Law (Hons), University of London, England
- Bachelor of Business Administration (Hons), Universiti Utara Malaysia

DETAILS OF ANY INTEREST IN THE SECURITIES OF PHARMANIAGA BERHAD
None

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES
Non-Executive Chairman of GCCP Resources Limited (Singapore)

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

Working Experience and Occupations

Datuk Lim Thean Shiang is a well-known businessman with vast experience in various industries including plantations, construction, logistics, oil & gas sector, telecommunications, wired and wireless communication systems, as well as policy and strategy advisory.

He graduated with a Bachelor of Laws (Hons) degree from the University of London, England, as well as a Bachelor of Business Administration (Hons) degree from Universiti Utara Malaysia.

Datuk Lim started his career as a Marketing Executive with TA Construction & Properties Sdn Bhd in 1994 prior to joining Wayteam Sdn Bhd in 1996 as a Business Development Manager. He was then appointed as General Manager of Port Klang Authority in 2008, and Executive Chairman of Port Klang Free Zone in 2009.

He later sat on the boards of several companies within the Felda Global Ventures (FGV) Group of Companies, as well as became an Advisor to the FGV Investment Committee and Director of the Maritime Institute of Malaysia. He also served on the boards of Tropicana Corporation Berhad and Tropicana Kajang Hill Sdn Bhd.

In 2015, Datuk Lim was appointed as an Executive Director and the Group Chief Executive Officer of Propel Global Berhad (formerly known as Daya Materials Berhad) and assumed the additional position of Executive Vice Chairman in 2017 as well as various directorship in the subsidiaries within the Group. In 2019, Datuk Lim Thean Shiang was promoted to Executive Chairman of the Group, before re-designated as Non-Independent Non-Executive Chairman in the following year. He also used to be Chairman of Tropicana SJII Education Management Sdn Bhd, the owner of St Joseph International School, as well as Chairman of GCCP Resources Limited, a company listed on the Singapore Exchange Board.

Datuk Lim was the Chairman of Ipoh Cargo Terminal Sdn Bhd and an Independent Non-Executive Director of MSM Malaysia Holdings Berhad, where he also serves on the Investment Committee and the MSM Board Governance & Risk Management Committee.

Currently, Datuk Lim is a commission member in Malaysian Communication and Multimedia Commission. Datuk Lim has been involved in various telecommunications industry and Government-related initiatives. He has extensive experience in wire and wireless communication systems, as well as policy and strategy advisory.

DR. MARY JANE CARDOSA

Independent Non-Executive Director

Appointed on 20 July 2022

FEMALE | 71Y/O | MALAYSIA

DATE OF LAST RE-ELECTION
None

BOARD COMMITTEE(S)
- Member of Sustainability Committee
- Member of Board Risk and Investment Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
2/3

QUALIFICATION(S)
- Doctorate, Doctor of Philosophy, University of Oxford, England
- Master of Arts, Columbia University, New York, United States
- Bachelor of Arts, Princeton University, New Jersey, United States

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

Working Experience and Occupations

Dr. Mary Jane is a renowned expert and key opinion leader in the field of virology, recognised both locally and internationally.

She completed her bachelor's degree at Princeton University, the United States of America (USA) in 1974 and obtained her master's degree at Columbia University, USA, in the following year. Dr. Mary Jane then went on to obtain a Doctor of Philosophy from the prestigious Oxford University, United Kingdom in 1984.

Her extensive knowledge, experience and understanding on global health issues are very much sought after, hence she has been invited to sit on various national and international scientific boards and committees, including Chairman of Human Capital Development of Biotechcorp (Working Group Cluster) from 2007 to 2009; a member of the Board of Directors of Malaysian Biotechnology Corporation from 2006 to 2009; numerous WHO Advisory Steering Committees on vaccine discovery and diagnostic research; the Scientific Board of the Bill & Belinda Gates Foundation Initiative - Grand Challenges in Global Health.

Amongst the accolades she has received throughout her illustrious career are the David Banks Prize at the Australian Biosecurity Cooperative Research Centre in 2005; recipient of the Commemorative Fund Lecture, an honour bestowed on an outstanding scientist in tropical medicine from the developing world and the Donald Mackay medal at the American Society of Topical Medicine and Hygiene in 2009 and 2017 respectively.

Dr. Mary Jane has over 100 publications to her name in referred journals, chapters in books & monographs, reviews, and interviews, as well as holds numerous patents. Amongst them are Antigens and Vaccines Directed Against Human Enteroviruses; Chimeric Enterovirus Virus-Like Particles; Enterovirus Virus-Like Particles; Expression Cassettes, and Methods for Obtaining Enterovirus Virus-Like Particles and Antibodies Specific for Enteroviruses That Infect Humans.

She has been featured in prominent magazines such as The Lancet Infectious Diseases, Science and The Far Eastern Economic Review, as well as numerous documentaries. In February 2009 she had the honour of giving a Tanner lecture entitled "Virology in the Jungle: The local-global tension" during the 500th anniversary of Brasenose College, Oxford University.

PROFILE OF DIRECTORS

AHMAD SHAHREDZUAN MOHD SHARIFF

Non-Independent Non-Executive Director

Appointed on 22 February 2023

MALE | 40Y/O | MALAYSIAN

DATE OF LAST RE-ELECTION
None

BOARD COMMITTEE(S)
- Member of Audit Committee
- Member of Nominating and Remuneration Committee

BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
None

QUALIFICATION(S)
- Bachelor of Economics, University of Warwick, United Kingdom
- Graduate Diploma of Applied Finance, Kaplan Higher Education, Australia

DETAILS OF ANY INTEREST IN THE SECURITIES OF PHARMANIAGA BERHAD
None

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES
None

DIRECTORSHIP IN PUBLIC COMPANIES
UAC Berhad

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

Working Experience and occupations

Ahmad Shahredzuan began his career at Permodalan Nasional Berhad in 2006. His last position was Senior Manager at the Office of President and Group Chief Executive. Subsequently, he joined McKinsey & Company in 2015 as an Implementation Consultant, where he was involved in the strategy and execution of numerous projects.

In 2019, he expanded his horizon by joining Boustead Holdings Berhad (Boustead) as Senior General Manager. He then rose in the ranks within the Boustead Group to Chief Transformation Officer in 2020. In 2021, Ahmad Shahredzuan was appointed Chief Reinvention and Strategy Officer of Boustead. He presently sits on the board of UAC Berhad.

He holds a Bachelor of Economics from the University of Warwick, United Kingdom and obtained his Graduate Diploma of Applied Finance from Kaplan Higher Education in Australia.

On 22 February 2022, he was appointed as Non-Independent Non-Executive Director of Pharmaniaga.

OUR APPRECIATION

DATO' SRI MOHAMMED SHAZALLI RAMLY
Non-Independent Non-Executive Director
(Until 30 November 2022)

DATUK SERI ZAINAL ABIDIN MOHD RAFIQUE
Non-Independent Non-Executive Chairman
(Until 31 January 2023)

DATO' DR. NAJMIL FAIZ MOHAMED ARIS
Independent Non-Executive Director
(Until 31 January 2023)

DATUK ZULKARNAIN MD EUSOPE
Chief Executive Officer
(Until 14 March 2023)

EXECUTIVE COMMITTEE MEMBERS

AHMAD SHAHREDZUAN MOHD SHARIFF
Non-Independent Non-Executive Director/ EXCO Chairman

As expressed on page 104 of the Profile of Directors

ZULKIFLI JAFAR
Deputy Chief Executive Officer

As expressed on page 110 of the Profile of Senior Management Team

MOHAMED IQBAL ABDUL RAHMAN
Chief Operating Officer

As expressed on page 110 of the Profile of Senior Management Team

NORAI'NI MOHAMED ALI
Chief Financial Officer

As expressed on page 111 of the Profile of Senior Management Team

> **Success and profitability are outcomes of focusing on customers and employees, not objectives.**

Jack Ma

SENIOR MANAGEMENT TEAM

1 **ZULKIFLI JAFAR**
Deputy Chief Executive Officer

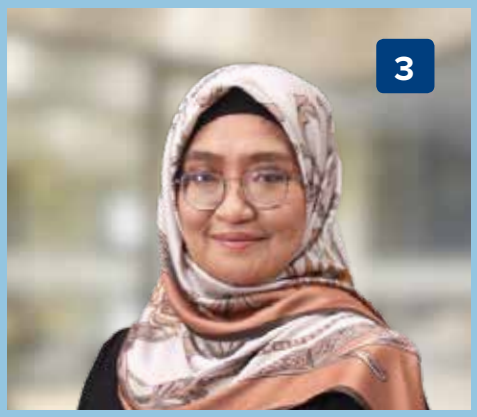
2 **MOHAMED IQBAL ABDUL RAHMAN**
Chief Operating Officer

3 **NORAI'NI MOHAMED ALI**
Chief Financial Officer

4 **ZAINUDIN ISMAIL**
Chief People Officer

5 **IDHAM ISMAIL**
Chief Investment Officer

6 **DR. BADARULHISAM ABDUL RAHMAN**
Chief Scientific Officer



7 **MOHD SAHARUDDIN OTHMAN**
Technical Director

8 **ABDUL MALIK MOHAMED**
Logistics & Distribution Director

9 **ZULHAZRI RAZALI**
Commercial Director

10 **WAN INTAN IDURA WAN ISMAIL**
Corporate Governance Director

11 **AHMAD ABU BAKAR**
President Director
PT Millennium Pharmacon International Tbk

12 **PIPING PRATAMADITA**
President Director
PT Errita Pharma

PROFILE OF SENIOR MANAGEMENT TEAM

ZULKIFLI JAFAR
Deputy Chief Executive Officer

Malaysian / 50 (Male)

Date of Appointment to present position: 22 February 2023

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 from 2007 until 2020. He is also the director and major shareholder of MMA.

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. Zulkifli was appointed as Executive Director in March 2022 and redesignated as Deputy Chief Executive Officer in February 2023, aligning with Boustead Holding's Berhad Group-wide leadership policy.

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

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

MOHAMED IQBAL ABDUL RAHMAN
Chief Operating Officer

Malaysian / 59 (Male)

Date of Appointment to present position: 22 February 2023

Mohamed Iqbal joined Pharmaniaga in 2011 as Director of Information Technology before promoted to Chief Operating Officer in 2012. With more than 33 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. On 22 February 2023, Mohamed Iqbal was redesignated as Chief Operating Officer, aligning with Boustead Holding's Berhad Group-wide leadership policy.

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/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
Chief Financial Officer

Malaysian / 56 (Female)

Date of Appointment to present position: 1 June 2012

Norai'ni is Pharmaniaga's Group Chief FInancial Officer (CFO) and brings over 31 years of vast working experience in accounting and finance.

Her professional career with the Company spans more than 23 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 and a fellow member of Association of Chartered Certified Accountant (FCCA), Norai'ni is also a member of the Malaysian Institute of Accountant (MIA) and the ASEAN Chartered Professional Accountants (ASEAN CPA).

QUALIFICATION(S):
- Association of Chartered Certified Accountants (ACCA)
- Fellow, Association of Chartered Certified Accountants (FCCA)
- Chartered Accountant, Malaysia Institute of Accountants (MIA)
- ASEAN Chartered Professional Accountants (ASEAN CPA)
- Bachelor of Arts (Honours), Accounting and Finance, Liverpool John Moores University, 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

ZAINUDIN ISMAIL
Chief People Officer

Malaysian / 55 (Male)

Date of Appointment to present position: 23 March 2023

Zainudin brings with him more than 30 years' experience in directing wide spectrum strategic human resource management, corporate transformation, organisational development as well as retaining talent. Well versed in the areas of succession planning, collective bargaining negotiations, employee and industrial relations coupled with a proven track record in executing separation as well as merger and acquisition exercises.

He is the Chief Talent Officer for Boustead Holdings Berhad and seconded to the Company as the Chief People Officer since 23 March 2023.

QUALIFICATION(S):
- BSc in Public Administration, West Texas A&M University, USA

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

IDHAM ISMAIL
Chief Investment Officer

Malaysian / 49 (Male)

Date of Appointment to present position: 18 July 2022

Idham was the Senior Director, Investment at Ekuiti Nasional Berhad (Ekuinas), a mid-market private equity firm where he was a member of the Investment Committee.

Prior to that, Idham was the Director, Investments at Khazanah Nasional Berhad (Khazanah), where he led sector coverage for global investments into power and co-investment strategies. During his tenure in Khazanah, Idham also served operating roles on secondment in Khazanah's portfolio companies, namely Pos Malaysia Berhad and Themed Attractions and Resorts, both as Chief Strategy Officer.

Early in his career, Idham had stints in Tenaga Nasional Berhad and the Corporate Finance team at Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank).

Idham graduated with a BSc (Hons) in Engineering Mathematics from the University of Bristol, United Kingdom and a Master of Finance from RMIT University, Australia.

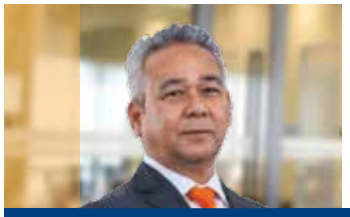
QUALIFICATION(S):
- Master of Finance, RMIT University, Australia
- BSc (Hons) in Engineering Mathematics, University of Bristol, United Kingdom

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



DR. BADARULHISAM ABDUL RAHMAN
Chief Scientific Officer

Malaysian / 55 (Male)

Date of Appointment to present position: 1 January 2023

Dr. Badarulhisam is the Chief Scientific Officer of Pharmaniaga Berhad. He spearheads product development and regulatory strategies for the Company, which include product ideation, development, trial, registration, and product life cycle management. He has extensive experience in pharmaceutical and biopharmaceutical manufacturing plant design, construction, equipment and facility qualification & validation and the operation of these plants for the manufacturing of various therapeutic segments and dosage forms including vaccine.

He was also instrumental in establishing Pharmaniaga's Group-wide sustainability programme, which he headed from 2017 to 2022.

He is a qualified Biochemical Engineer with expertise in Biochemical Engineering and Biotechnology. He completed his Advanced Diploma and Master of Science at University College of London in the United Kingdom. Subsequently, he obtained his PhD from Johns Hopkins University in the United States of America.

Dr. Badarulhisam began his career as a lecturer at the Department of Bioprocess Engineering, Universiti Teknologi Malaysia, where he is still academically active. He then served as an Adjunct Professor at the Chemical Engineering Department of Universiti Putra Malaysia.

Amongst his other accomplishments include his appointment as Board of Academic Advisory of the Faculty of Engineering at Universiti Kebangsaan Malaysia and several other universities. He has also served as an industrial advisor to several Bioprocess Engineering Programmes of major universities in Malaysia and co-supervises masters and PhD students in various aspects of Biopharmaceutical Plant Design, Biologics Drug Development and Process Optimisations.

QUALIFICATION(S):
- PhD: Biotechnology, Johns Hopkins University
- MSc in Biochemical Engineering, University College London, United Kingdom
- Advanced Diploma in Biochemical Engineering, University College London, 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

MOHD SAHARUDDIN OTHMAN

Technical Director

Malaysian / 51 (Male)

Date of Appointment to present position: 1 January 2023

During his 13-year career at Pharmaniaga, Saharuddin has held several roles, including Senior General Manager of Pharmaniaga Manufacturing Berhad and Deputy Technical Director of the Manufacturing Division. On 1 January 2023, he was appointed as Head of Manufacturing Operations.

With over 25 years of experience under his belt in the pharmaceutical industry, he presently leads the six plants located throughout Malaysia. Apart from overseeing superior supply performance and continuous improvement activities of each plant, he led the strategic integration of the vaccines and insulin business, including the readiness of manufacturing facilities, utilities, equipment and developed organisational capability.

Prior to joining Pharmaniaga, Saharuddin was a Manufacturing Manager at GlaxoSmithKline (M) Sdn Bhd.

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

QUALIFICATION(S):

- Bachelor of Pharmacy, University of Bath, 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

ABDUL MALIK MOHAMED

Logistics & Distribution Director

Malaysian /58 (Male)

Date of Appointment to present position: 1 April 2011

Highly motivated and experienced Logistics & Distribution Director with a demonstrated history of working experience in the automotive, logistics 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

PROFILE OF SENIOR MANAGEMENT TEAM

ZULHAZRI RAZALI
Commercial Director

Malaysian / 56 (Male)

Date of Appointment to present position: 1 June 2014

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 profitably. Understanding the latest market scenarios and competitive landscape. in the industry is the key area that he constantly shares with others for the benefit of the Company and and the Group's future direction.

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

WAN INTAN IDURA WAN ISMAIL
Corporate Governance Director

Malaysian / 43 (Female)

Date of Appointment to present position: 1 July 2021

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 17 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 0010668)
- 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

AHMAD ABU BAKAR

President Director
PT Millennium Pharmacon International Tbk

Malaysian / 53 (Male)

Date of Appointment to present position: 16 July 2020

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, 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

PIPING PRATAMADITA

President Director
PT Errita Pharma

Indonesian /48 (Male)

Date of Appointment to present position: 9 May 2022

Piping was appointed as the President Director of PT Errita Pharma on 9 May 2022. Prior to joining PT Errita Pharma, he carries with him a total 20 years of professional working experience in multinational companies within the pharmaceutical industry including GlaxoSmithKline, PT Kalbe Farma, PT SOHO Global health. He has also worked at FMCG Companies such as Unilever, Danone Baby Nutrition and PT Reckitt Benckiser, where he gained his depth of experience in both commercial and operations role.

He graduated from Gadjah Mada University, the oldest government owned University in Yogyakarta-Indonesia with a degree in Marketing Management in 1999.

QUALIFICATION(S):

- Bachelor of marketing management, Gadjah Mada University, Indonesia

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

GOVERNANCE

Corporate Governance Overview Statement	118
Statement on Risk Management and Internal Control	132
Audit Committee Report	142
Statement of Director's Responsibility for Preparation of Financial Statements	147

SECTION 06

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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 to overcome 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 (4th edition) issued by Bursa Securities.

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 Securities. 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 2022 with the exception of:

Practice 5.9	:	30% women directors.
Practice 7.1	:	Remuneration Policy for Directors and Senior Management.
Practice 8.2	:	Disclosure of the top five (5) Senior Management personnel's remuneration on a named basis in bands of RM50,000.

In line with the latitude accorded in the application mechanism of the MCCG, the Company has provided explanation for the departure 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 Chief Executive Officer* 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 Chief Executive Officer. The Chief Executive Officer is responsible for leading the Management and implementing operational decisions. The Chief Executive Officer 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.

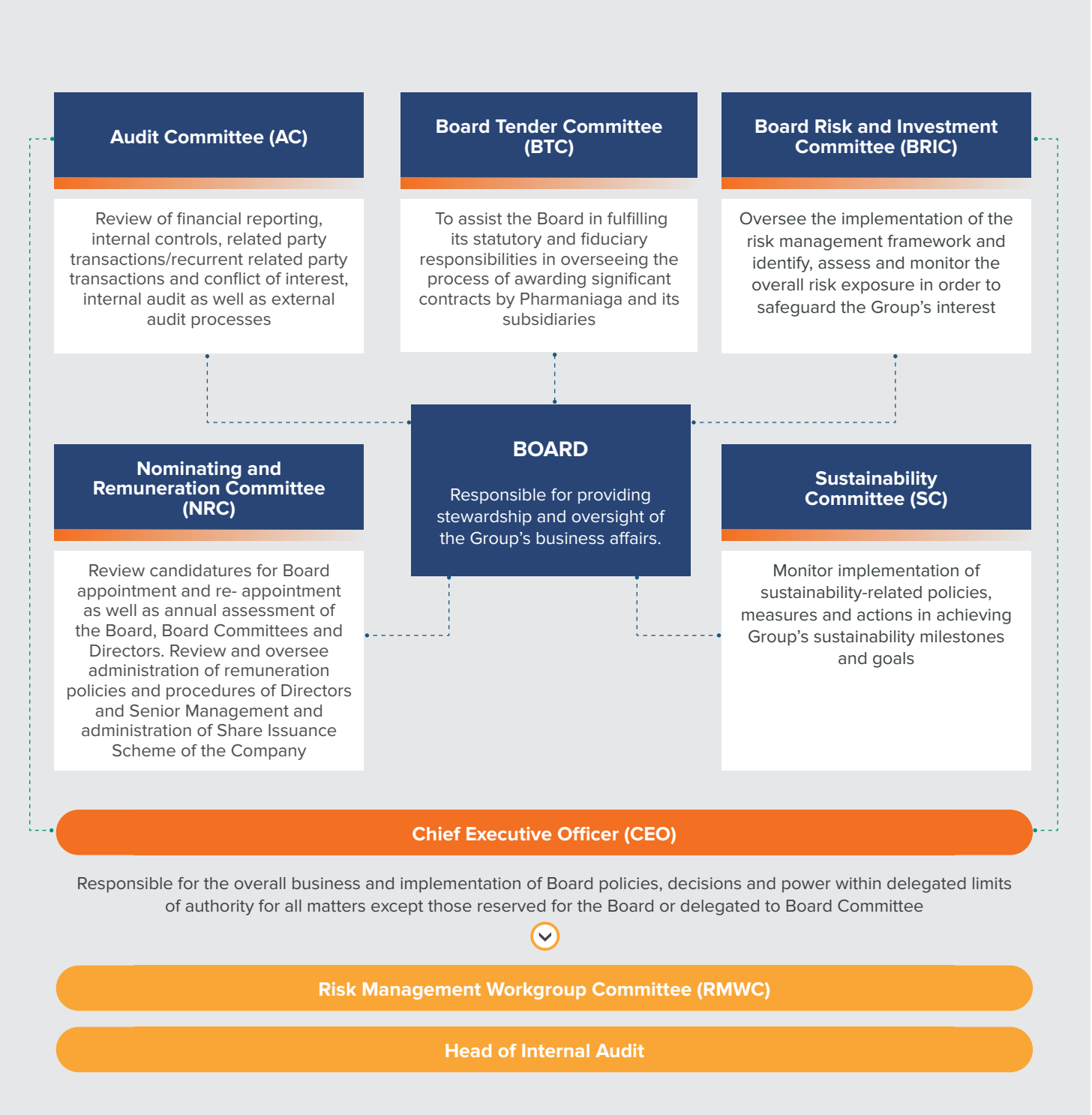
In performing their duties, the Board is supported by two professionally qualified and competent joint Company Secretaries who, under the direction of the Chairman, are accountable for all matters with regard to the proper functioning of the Board as well as to facilitate effective information flows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

**The position of the Group Managing Director has been redesignated to Chief Executive Officer on 22 February 2023*

CORPORATE GOVERNANCE OVERVIEW STATEMENT



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

As depicted in the table, the Board is assisted by five (5) 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 (4) 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 members are given the flexibility to attend meetings virtually or physically during the year. 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.

During the financial year under review, the Board deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, 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 Securities.

The attendance of individual Directors at Board and Board Committees meetings during the financial year ended 31 December 2022 is outlined below:

Director	Board	AC	NRC	SC	BRIC
Executive Directors					
Datuk Zulkarnain Md Eusope	11/11	–	–	–	–
Zulkifli Jafar[1]	11/11	1/1	3/4	–	1/1
Non-Independent Non-Executive Chairman					
Izaddeen Daud[2]	11/11	4/4	8/8	–	–
Datuk Seri Zainal Abidin Mohd Rafique[3]	11/11	-	-	-	-
Independent Non-Executive Directors					
YB Senator Datuk Dr. Haji Azhar Ahmad	11/11	-	-	1/3	-
Dato' Dr. Najmil Faiz Mohamed Aris[4]	11/11	–	2/2	3/3	2/2
Dr. Abdul Razak Ahmad[5]	11/11	4/4	8/8	3/3	3/3
Sarah Azreen Abdul Samat	11/11	4/4	8/8	–	4/4
Datuk Lim Thean Shiang[6]	3/3	2/2	2/2	-	3/3
Dr. Mary Jane Cardosa[7]	2/3	-	-	2/2	2/2
Non-Independent Non-Executive Directors					
Ahmad Shahredzuan Mohd Shariff[8]	0/0	0/0	0/0	-	-
Dato' Sri Mohammed Shazalli Ramly[9]	10/10	-	-	-	-

Notes:
[1] Resigned as Members of AC, NRC & BRIC on 1 March 2022
[2] Redesignated as Non-Independent Non-Executive Chairman and resigned as member of AC on 22 February 2023
[3] Non-Independent Non-Executive Chairman until 31 January 2023
[4] Independent Non-Executive Director until 31 January 2023
[5] Redesignated as Senior Independent Non-Executive Director on 22 February 2023
[6] Appointed as Independent Non-Executive Director on 20 July 2022 & Chairman of BRIC on 4 August 2022
[7] Appointed as Independent Non-Executive Director on 20 July 2022
[8] Appointed as Non-Independent Non-Executive Director on 22 February 2023
[9] Non-Independent Non-Executive Director until 30 November 2022

Board/Board Committee Chairman

Member

BOARD COMPOSITION

During the financial year under review, the Board saw changes to its composition. 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 and later resigned on 30 November 2022. Encik Zulkifli Jafar, Independent Non-Executive Director, was redesignated as the Company's Executive Director with effect from 1 March 2022. The Board also welcomed two (2) new Directors, namely, Datuk Lim Thean Shiang and Dr Mary Jane Cardosa as Independent Non-Executive Directors on 20 July 2022.

As of the date of this report, Dato' Dr Najmil Faiz Mohamed Aris, Independent Non-Executive Director has resigned on 31 January 2023, Dr. Abdul Razak Ahmad has been redesignated as the Senior Independent Non-Executive Director on 22 February 2023 and Encik Ahmad Shahredzuan Mohd Shariff was appointed as the Independent Non-Executive Director on the same date.

Due to the appointment and resignation, the Board has seven (7) Directors, five (5) of whom are Independent Non-Executive Directors. Presently, the Board has two (2) female Directors. 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.

** Datuk Seri Zainal Abidin Mohd Rafique has resigned on 31 January 2023 and is replaced with Encik Izaddeen Daud with effect from 22 February 2023*

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 Securities's requirement that one-third of the Board is independent. The Board is supported by the Chief Executive Officer 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 five (5) Independent Non-Executive Directors satisfy the following criteria:

- independent from Management and any other relationship that could interfere with their independent judgment 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.

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 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 Securities.

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 Chief Executive Officer and Senior Management's remuneration is undertaken once every three (3) 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 2022 for the Group are as follows:

Directors	Fees		Salaries	Bonuses	EPF and SOCSO	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
Executive Directors										
Datuk Zulkarnain Md Eusope	–	–	1,350,000	680,000	314,502	7,200	60,000	60,000	2,411,702	2,411,702
Zulkifli Jafar	20,167	20,167	800,000	-	128,348	6,000	59,429	60,929	1,013,944	1,015,444
Non-Executive Directors										
Datuk Seri Zainal Abidin Mohd Rafique[1]	155,833	155,833	–	–	–	–	10,500	13,500	166,333	169,333
Dato' Sri Mohammed Shazalli Ramly[2]	89,167	89,167	–	–	–	–	11,500	17,500	100,667	106,667
YB Senator Datuk Dr. Azhar Ahmad	95,000	141,250	–	–	–	–	11,500	20,500	106,500	161,750
Dato' Dr. Najmil Faiz Mohamed Aris[1]	97,976	127,976	–	–	–	–	18,000	32,250	115,976	160,226
Dr. Abdul Razak Ahmad[3]	121,677	151,677	–	–	–	–	33,000	43,000	154,677	194,677
Izaddeen Daud[4]	113,548	113,548	–	–	–	–	20,500	20,500	134,048	134,048
Sarah Azreen Abdul Samat	127,226	157,226	–	–	–	–	31,125	48,625	158,351	205,851
Datuk Lim Thean Shiang[5]	53,069	53,069	–	–	–	–	9,000	9,000	62,069	62,069
Dr. Mary Jane Cardosa[5]	42,361	42,361	–	–	–	–	6,500	6,500	48,861	48,861
Total	**916,025**	**1,052,275**	**2,150,000**	**680,000**	**442,850**	**13,200**	**271,055**	**332,305**	**4,473,129**	**4,670,629**

Notes:
[1] Board Member until 31 January 2023
[2] Board Member until 30 November 2022
[3] Redesignated as Senior Independent Non-Executive Director on 22 February 2023
[4] Redesignated as Non-Independent Non-Executive Chairman on 22 February 2023
[5] Appointed as Board Member on 20 July 2022

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

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 emphasize 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.

A designated senior employee is tasked to manage 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 2022 articulates our commitment to improving the Group's sustainability practices so that we are more competitive, more resilient and adaptable to change. 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. One of the AC members is a member of the Institute of Public Accountant, Australia, recognised under the MMLR of Bursa Securities.

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 AND INVESTMENT COMMITTEE

The Board Risk Management Committee has been renamed to Board Risk and Investment Committee (BRIC) on 24 November 2022. The Board is of the view that the function of the BRIC shall be expanded to review key risks, funding options and costs, investment returns associated with the investment of the Company, new partnership, divestments and large capital expenditure projects, among others.

The BRIC consists exclusively of the Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The composition of the BRIC, its duties and responsibilities are set out in the Corporate Governance Report. The BRIC oversees the adequacy of risk management and matters relating to Company's proposed investment 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 BRIC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group. It is also to review all investments and project business cases proposed to be made by the Company before making appropriate recommendation to the Board for approval.

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 Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 186.

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 of Risk Management and Internal Control of the Integrated Report on pages 132 to 141.

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. Eventhough the COVID-19 has entered into an endemic stage, for safety purposes, in 2021, we were able to carry on some activities virtually through available interactive online platforms. For instance, the AGM for 2021 was conducted virtually, using Remote Participation Voting (RPV) platform. During the year, the Managing Director, Executive Director, Deputy Managing Director and Chief Financial Officer 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, 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 Securities, 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
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 on our corporate website. Additionally, information on press releases, announcements to Bursa Securities, 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 has provided oral and written answers to all questions raised by shareholders during the General Meeting. The Group encourages shareholders to participate in the AGM via remote participation at a readily accessible location.

In light of the COVID-19 pandemic conditions, the AGM was convened on 13 June 2022 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 24th AGM by leveraging on technology in accordance with Section 327(1) and (2) of the Companies Act 2016.

The 24th 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 25th AGM of the Company.

NOTICE OF 25TH ANNUAL GENERAL MEETING

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

Date	:	12 June 2023 (Monday)
Time	:	2.30 p.m.
Broadcast Venue	:	The Bousteador, Mutiara 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 Securities 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 have 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 to facilitate them in discharging their duties effectively.

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

Name	Programme Title & Organiser	Date
Executive Directors		
Group Managing Director **Datuk Zulkarnain Md Eusope** *(Redesignated as Chief Executive Officer on 22 February 2023)*	Emerging Trends Talk: ESG Oversight: Role of the Board by Institute of Corporate Directors Malaysia (ICDM)	25 August 2022
	Understanding Sustainability Taxonomies Globally and Regionally by Securities Industry Development Corporation (SIDC)	12 October 2022
Executive Director **Zulkifli Jafar** *(Redesignated as Deputy Chief Executive Officer on 22 February 2023)*	Emerging Trends Talk: ESG Oversight: Role of the Board by Institute of Corporate Directors Malaysia (ICDM)	25 August 2022
	The Open Enrolment namely Beyond Box-Ticking: Essentials for Effective Remuneration Committees by Asia School of Business (ASB)	3 October 2022
Independent Non-Executive Directors		
YB Senator Datuk Dr. Haji Azhar Ahmad	Emerging Trends Talk: ESG Oversight: Role of the Board by Institute of Corporate Directors Malaysia (ICDM)	25 August 2022
	Bursa Securities Mandatory Accreditation Programme (MAP) by Institute of Corporate Directors Malaysia (ICDM)	05 – 07 December 2022
Dato' Dr. Najmil Faiz Mohamed Aris *(Board Member until 31 January 2023)*	Emerging Trends Talk: ESG Oversight: Role of the Board by Institute of Corporate Directors Malaysia (ICDM)	25 August 2022
	Bursa Securities Mandatory Accreditation Programme (MAP) by Institute of Corporate Directors Malaysia (ICDM)	05 – 07 December 2022

Name	Programme Title & Organiser	Date
Independent Non-Executive Directors		
Dr. Abdul Razak Ahmad	Webinar on The Updated Malaysian Code on Corporate Governance 2021 by Malaysian Institute of Corporate Governance (MICG)	20 January 2022
	Webinar on SC Guidelines on the Conduct of Directors of Listed Corporations and Their Subsidiaries by Malaysian Institute of Corporate Governance (MICG)	25 January 2022
	Webinar on Corruption Risk Management by Malaysian Institute of Corporate Governance (MICG)	14 & 15 February 2022
	Strategic Corporate Governance for High Performing Board 2022 at Doha, Qatar	14 – 17 March 2022
	Webinar on Sustainability Management and Reporting by Malaysian Institute of Corporate Governance (MICG)	21 September 2022
	Webinar on Governance, Risk and Controls (GRC) by Malaysian Institute of Corporate Governance (MICG)	28 September 2022
Sarah Azreen Abdul Samat	Strategic Corporate Governance for High Performing Board 2022 at Doha, Qatar by Management Excellence	14 – 17 March 2022
	Related Party Transactions and Recurrent Related Party Transactions	29 March 2022
	Understanding and Implementing the Task Force on Climate-Related Financial Disclosure Recommendations	28 June 2022
	Post COVID-19 Investment Strategy – Profit Any Market Direction	18 July 2022
	Creativity and Innovation: The Key to Successful Corporate Transaction in the COVID-19 Era	20 July 2022
	12 Malaysia Plan – Challenges and Opportunities	1 August 2022
	Rethinking Business Strategies in Driving the ESG and Sustainability Agenda	5 August 2022
Datuk Lim Thean Shiang *(Appointed on 20 July 2022)*	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees (Securities Commission Audit Oversight Board) by Securities Commission Malaysia	7 April 2022
Dr. Mary Jane Cardosa *(Appointed on 20 July 2022)*	Bursa Securities Mandatory Accreditation Programme (MAP) by Institute of Corporate Directors Malaysia (ICDM)	21 & 22 November 2022

Name	Programme Title & Organiser	Date
Non-Independent Non-Executive Directors		
Non-Independent Non-Executive Chairman **Datuk Seri Zainal Abidin Mohd Rafique** *(Appointed on 1 February 2022)* *(Board Member until 31 January 2023)*	Bursa Securities Mandatory Accreditation Programme (MAP) by Institute of Corporate Directors Malaysia (ICDM)	23 – 25 May 2022
	Emerging Trends Talk: ESG Oversight: Role of the Board by Institute of Corporate Directors Malaysia (ICDM)	25 August 2022
	Strategy in the Boardroom Masterclass 2022 at Dubai, UAE. by Management Excellence	29 August – 1 September 2022
Dato' Sri Mohammed Shazalli Ramly *(Board Member until 30 November 2022)*	TCFD Climate Disclosure (101 Session) by Bursa Securities	2 March 2022
	Blockchain Fundamentals & Blockchain Business (Module 1) by Accubits	8 March 2022
	TCFD Climate Disclosure (102 Session) by Bursa Securities	9 March 2022
	Blockchain Fundamentals & Blockchain Business (Module 2) by Accubits	9 March 2022
Izaddeen Daud	Preserving the Climate Through Sustainability Business and Living by Securities Industry Development Corporation (SIDC)	22 – 23 June 2022

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 2022

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 33.9% 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

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements (MMLR) of Bursa Securities Securities Berhad (Bursa Securities), the Board is pleased to provide the Statement on Risk Management and Internal Control for the financial year ended 31 December 2022, 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 Board continually articulates, implements and reviews the adequacy and effectiveness of the Group's enterprise risk management and internal control system (the system), which has been embedded in all aspects of the Group's activities. The Board reviews the processes and responsibilities and assesses for reasonable assurance that the risks have been managed within the Group's risk appetite and tolerable ranges. This is to ensure that the existing risk management and internal control system is viable and robust.

Recognising constant changes in the risk landscape, the risk management and internal control system is designed to manage and mitigate risks effectively but not entirely eliminate risks that could support the Group's business objectives. The system can, therefore, only provide a reasonable but not absolute assurance against the occurrence of material misstatement or loss. The Board acknowledges its overall responsibility and is committed to maintaining a sound internal control system and robust risk management practices to safeguard shareholders' investment and the Group's assets.

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 and Investment Committee (BRMIC) to oversee the governance of risks and investments as well as to ensure that 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 BRMIC 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. 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 balances within the Group.

During FY2022, four (4) BRMIC meetings were held on 16 February, 18 May, 17 August and 17 November to assess and discuss the Group's risks, particularly the adequacy and effectiveness of the risk management processes. The BRMIC reviewed the controls and actions in place to manage and mitigate the Group's overall risk exposure, including emerging risks, as well as raised issues of concern and recommended mitigating actions. The BRMIC is also responsible for assisting and reporting to the Board, matters deemed critical to the organisation's controlling processes and risk management activities, including implementing the appropriate systems to manage risks. The Board, through the BRMIC, maintains risk oversight for the Group.

MANAGEMENT RESPONSIBILITY

The Group has established an appropriate risk management infrastructure which is tailored to the specific circumstances of the Group and guided by the Enterprise Risk Management (ERM) Framework to ensure that the Group's assets are well-protected and shareholders' value enhanced.

In Pharmaniaga, risk management is integrated into 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 accountable for managing and assessing the risks identified.

The Management assists the Board in effectively implementing risk management and internal controls. The Management formulates and endorses the risk management policy, framework and guidelines, including their implementation across the Group. The risks are reviewed, and additional action is recommended and implemented to mitigate the impact. The Management also assigns accountabilities and responsibilities at appropriate levels within the Group to ensure that all necessary resources are efficiently allocated to manage risks.

The overall roles and responsibilities of the Management involve implementing the Group's policies, framework and procedures on risk and control as follows:

- Identifying, assessing, monitoring and reporting on risks and internal control, as well as taking appropriate measures where necessary, to mitigate or minimise the risks relevant to the businesses of the Group and to ensure the achievement of its objectives and goals;
- Continuously reviewing 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. Thereafter, the actions and outcomes 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; and
- 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) explains the internal control responsibilities of managers at all levels of the organisation to ensure that they are fully aware at all times. The MCP also clarifies the responsibilities of the Internal Audit function to complement the Internal Audit Charter as well as this Statement on Risk Management and Internal Control.

KEY ELEMENTS OF RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an important aspect of the Group's diverse and growing operations to maintain a sound internal control system. Risk management practices are considered an integral part of the Group's day-to-day operations to facilitate the Group in achieving its overall objectives as well as maximising shareholders' value.

The Management, through the Risk Management Committee (RMC), is entrusted with the responsibility of implementing and maintaining the Group's ERM Framework. The RMC is chaired by the Chief Executive Officer and supported by the Heads of Divisions. The Group's ERM Framework comprises the following key attributes:

Risk Governance and Strategy

Risk governance provides a formalised and transparent structure that promotes involvement by the Board and Management in the risk management process to ensure a holistic assessment of risks across the Group. The Group's risk governance and strategy are established within three lines of defence:

1st Line of Defence *(Risk Taking)*
Primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risk through effective controls.

2nd Line of Defence *(Risk Controlling)*
Provide oversight function and monitor business activities by reporting to the Management and Board to ensure the conduct of business and operations are within the approved risk appetite and in compliance with regulations.

3rd Line of Defence *(Assurance Party)*
Provide independent assurance of the adequacy and effectiveness of internal controls and risk management processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Analysis and Measurement

In line with the Group's focus on expanding its business activities, the RMC had undertaken a more detailed approach to assessing risks relating to local and international business undertakings. The Group's Risk Register has been established and updated regularly to document, track and monitor the identified and potential risks. 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 risks. The Risk Register also documents the ratings of risks to facilitate the development of appropriate and optimal action plans by the Management. Action plans to mitigate and manage risks are included in the Risk Register to ensure clear commitments and responsibilities are agreed upon at all organisational levels.

During FY2022, the Risk Register was reviewed in the RMC and BRMIC meetings, and it was concluded that the Group's ERM Framework provides reasonable control to mitigate the exposure to significant risks.

Consistent with the Group's commitment to managing risks proactively and effectively, all project investment papers outline the risks involved with ratings on their likelihood and impact on the Group. The papers also propose steps or factors to mitigate the identified risks.

Risk Assessment Reviews

The ERM Framework has become an important driver to address the risks the Group inevitably faces in delivering its strategies to determine the appropriate level of risk taken does not expose the Group to unacceptable potential losses or reputational damage. The ERM Framework has strengthened risk management practices through the integration of the framework within business practices for better decision-making to mitigate risk.

For the financial year ended 31 December 2022, the RMC 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 17 February 2022, 19 May 2022, 18 August 2022 and 24 November 2022. In addition, the reports were submitted to the Group's Internal Auditors (GIA) for an independent assessment of the adequacy and reliability of the risk management processes within the Group.

Several initiatives were undertaken during the year as follows:

- Continuously building and enhancing the Group's resilience towards emerging risks and potential threats by streamlining and refining the existing ERM Framework in line with the Group's business strategies, regulatory requirements and leading best practices;
  - Integrating risk management practices into key operations in line with ISO requirements in Quality Management Systems, Environmental Management Systems, Occupational Health and Safety Management Systems and Anti-Bribery Management Systems; and
  - Assessing risk from various aspects, including business continuity management and crisis management, to ensure the Group is able to resume critical operations in the event of a disaster.
- Enhancing ERM competencies and capabilities within the Group by stringently advocating professionalism, integrity, procurement transparency and anti-bribery values; and
- Continuously engaging with the respective subsidiaries to provide clear direction and guidance on appropriate risk management practices.

Meanwhile, with the increase in online and digital platforms for services and communications, the Group recognises the need for an effective Cybersecurity Framework and practices that are both technologically innovative and resilient to cybersecurity threats. In line with this, the Group has implemented adequate measures to address ever-evolving cybersecurity threats, ensuring the integrity of services is maintained while customer and business data are protected. The Group continues to enhance information technology and resiliency capabilities by adhering to ISO 27001:2013 Information Security Management Systems. This entails conducting vulnerability assessment and penetration tests, continuously monitoring cybersecurity incidents as well as organising periodic cybersecurity awareness activities for employees.

The Group will continue to focus on the key risk areas and corresponding controls in order to respond effectively to risks in a dynamic business environment, with additional controls to be implemented where necessary and feasible.

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

AUDIT COMMITTEE

The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's internal control system to the Audit Committee (AC). The AC is responsible for overseeing, monitoring and evaluating financial reporting, duties and responsibilities of the internal and external auditors, governance integrity, related party transactions and overall internal financial controls.

The AC assumes the overall duties of reviewing the external auditors' audit plan and report, as well as 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 the Management satisfactorily resolved all major issues reported by the internal and external auditors and other external advisors.

Group Internal Audit

Boustead Holdings Berhad's Group Internal Audit's (GIA) principal responsibility is to provide independent, objective assurance and consultation to add value and improve the Group's operations. It facilitates the Group 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 in the Group Internal Audit Charter approved by the Board. GIA operates and performs as per the principles of the Charter, reports directly to the AC and is independent of the activities it audits.

Areas of improvement have been identified as a result of the reviews, with improvement measures recommended to strengthen controls and follow-up audits conducted by the GIA to assess the status of implementation 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 the 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 aligned to business and operational requirements to support the maintenance of a strong control environment. The Group has eight (8) divisions, with each division having clear roles and responsibilities to support and achieve the Group's objectives. Notably, the following divisions or units strengthen the Group's internal control systems:

i. Procurement

The Group Procurement Department is entrusted with internal control responsibilities over the sourcing of products and services as well as contract negotiations. The Centralised Procurement SOP has also been put in place across the Group to guide the employees on the uniform standard of procurement practices. 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. Corporate Systems

Corporate Systems Department (CSD) provides independent, reasonable and objective assurance, including business advisory reviews designed to add value and improve the efficiency of the Group's operations. In supporting the Group to achieve its objectives, CSD employs a systematic and disciplined approach to evaluate and recommend improvements for the effectiveness of risk management, internal controls and governance processes. The following three (3) units drive the CSD:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

- Review, assess, monitor and advise on ERM activities for the Group;
- Facilitate and coordinate the implementation of Business Continuity Management (BCM), including documentation and testing for the Group; and
- Provide training and awareness to all employees on risk management, BCM and other risk-related matters.

Regulatory Compliance

- Conduct routine compliance audits of Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), Good Distribution Practice for Medical Devices (GDPMD), Good Pharmacovigilance Practice (GVP) and Pharmacist Type A License (PTAL) within the Group;
- Advice, review and facilitate the application of advertisement of pharmaceutical products, medical devices, food supplements and health awareness for the Group prior to its use for the general public; and
- Furnish resources and adopt regulatory perspectives in business projects such as biologics, vaccines, insulins, cold chain, and digitalisation for the Group.

Quality and Safety

- Lead, coordinate, consult and monitor all ISO certifications and management for the Group;
- Monitor implementation of Safety and Health, Environment and Quality (SHEQ) activities to ensure the Group complies with applicable legislation requirements; and
- Provide training and awareness to all employees on SHEQ and other ISO-related matters.

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 the 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 the Board approves.

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

Documented standard operating procedure manuals

Written policies and procedures are established to guide a department and/or an employee in performing tasks. The policies and procedures also form part of the various management systems and are reviewed regularly and updated when necessary. Briefings and training are frequently held to enhance employees' awareness of the policies and procedures.

Subsidiaries within the Group have implemented several Internationally Accredited Management Systems to standardise management and operational processes and further improve efficiency. A few of our subsidiaries have been awarded various Management System certifications that include the following:

- 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 18295-1: 2017 Customer Contact Centres;
- ISO/IEC 17025: 2017 Laboratory Quality Management Systems;
- ISO 45001: 2018 Occupational Health and Safety Management Systems;
- PIC/S 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; and
- Food Safety and Quality Division, Ministry of Health (MeSTI Certification).

These certifications reflect the Group's commitment to delivering quality deliverables to customers, safeguarding the safety and health of employees as well as the environment. Based on our continuous commitment to occupational safety and health, PLSB Bukit Raja's achievement was recognised by the Malaysian Society for Occupational Safety and Health (MSOSH) in 2022.

At the same time, the Anti-Bribery Management Systems (ABMS) certification demonstrates that the Group upholds transparency and integrity in our day-to-day business activities with continuous adoption of ABMS programmes by the subsidiaries. For FY2022, the following subsidiaries obtained the ABMS certification:

- Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani) – 4 April 2022;
- Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar) – 4 April 2022; and
- Pharmaniaga Manufacturing Berhad (Bangi) – 29 August 2022.

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 certifications and licences obtained from SIRIM, the National Pharmaceutical Regulatory Agency (NPRA), the Department of Islamic Development Malaysia (JAKIM) and evaluation committees of numerous multinational companies.

Code of Ethics and Conduct

The Board and Management set the tone for corporate behaviour and governance. The Group has in place a Code of Ethics and Conduct as a guide on the standards of behaviour expected from all employees in the Group as well as our business partners. All employees are subject 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 utilised to deal with any breach of the aforementioned policies.

Strategic Business Planning, Budgeting and Financial 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 and reviewed, with the Management given the mandate by the Board to carry out the agreed-upon action plans.

Based on the strategies identified and input from the Board, the Annual Operating Plan for 2022 and the Five-Year Business Plan, together with Key Performance Indicators (KPIs), were drawn up and subsequently approved by the Board on 24 November 2022. This ensures 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.

Business plans, budgets and KPIs are aligned with the Group's Five-Year Strategic Plan to guide the Group in achieving its vision of becoming the preferred brand in healthcare among the markets we serve. We measured actual achievements of financial and non-financial indicators against the approved budget and explanations for significant variances, which 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 established processes and procedures for efficient financial reporting to ensure the Board-approved quarterly financial results and audited annual financial statements on the Company's performance are submitted to Bursa Securities as well as to shareholders and stakeholders on a timely basis.

The Group's quarterly and integrated reports, which include the annual audited financial statements as well as the auditors' and directors' reports, are reviewed to ensure compliance with the MMLR of Bursa Securities, applicable approved accounting standards and other statutory and regulatory requirements prior to being submitted to the Board for approval.

Human Resources Policies and Procedures

Documented internal policies, standards and procedures are in place to ensure the Group's workforce is in compliance with internal controls as well as 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, and leave and grievance matters.

Regular training and development programmes are identified and established to ensure that employees are well-equipped with adequate skills and competencies to carry out their responsibilities towards achieving the Group's objectives.

Manpower planning exercise is conducted on an annual basis within the Group in accordance with the allocated budget. The planning exercise enables the Management to determine and identify the present and prospective human resources needs and recruit the required number of suitable personnel. In addition, the Management will also promote or transfer 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 are relevant. Key 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies and procedures, which establish the obligations and standards of behaviour, are meant to provide consistent and efficient management of human resources across the Group 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 the prescribed threshold, a Management Tender Committee, which comprises representatives from relevant and related departments, i.e. Finance and Legal, among others, and is led by the Head of Procurement, meets before submission to the Board Tender Committee. This is to increase efficiency and ensure the effectiveness of the system of internal controls embedded in the process of awarding tenders.

Insurance

Adequate insurance and physical safeguards on major assets, such as buildings and machinery 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 Management

This risk arises from the inability to recover debts promptly, 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;
- Closely monitoring collections and overdue debts; and
- Ensuring effective credit utilisation to keep leverage at a comfortable level.

Liquidity Management

This risk arises from the inability to repay the existing borrowings based on the contractual schedule, meet working capital requirement and financial capital expenditures. The Group's liquidity management is disclosed in Note 35(c) to the financial statements.

Flood Task Force

In September 2022, the Malaysian Meteorological Department (Met Malaysia) forecasted continuous heavy rain from October to November 2022, which may cause large-scale floods in the country. Based on the December 2021 major flood experience that affected 164 Pharmaniaga employees nationwide, the Management prepared the following action plans to enhance readiness:

- Establish Pharmaniaga Flood Task Force;
- Setup crisis command centre;
- Identification of necessary items to aid affected employees at Immediate, Second and Post Flood stages;
- Initiate Business Continuity Management Working Committee (BCMWC) meeting to coordinate and communicate the action plans to the respective branches/sites;
- Map staff location according to flood hotspot areas;
- Establish Pharmaniaga Flood Task Force Hotline; and
- Disseminate flood awareness to all employees weekly starting from 13 October 2022.

In addition to the above, on 24 November 2022, the Board approved a RM1.5 million Disaster Fund to be utilised in 2022 and 2023 in the event of any major disasters affecting the Group's business operations and employees in Malaysia and Indonesia.

COVID-19

In response to the global pandemic declared by the World Health Organisation (WHO) on 11 March 2020, the Group took early steps to secure as many vaccine doses as possible. The eventual high supply was mainly due to the urgency to respond during the national health crisis and accelerate the delivery of finished as well as filled-and-finished products to Malaysia to achieve herd immunity at a faster rate.

As of 31 December 2022, the total value of unsold Sinovac COVID-19 vaccines stood at RM552 million and has been recognised as a key risk for the Group, mainly due to the large inventory coupled with slow-moving vaccine stocks. Aggressive efforts by the Management to amplify sales of COVID-19 vaccines in the international market during FY2022 included the following, amongst others:

- In Asia, the Group explored the Myanmar and Vietnam markets;
- Engagement with the Consulate of Malaysia in Uganda to supply the African continent; and
- Engagement with the Sudan, Zimbabwe and Senegal embassies on our intent and capabilities in exporting Sinovac vaccines.

In 2023, the Group has remained focused on marketing the surplus of COVID-19 vaccine doses through talks and discussions with various parties in both the domestic and international markets.

Due to the accounting treatment stipulated in the Malaysia Financial Reporting Standards (MFRS) and Pharmaniaga's good governance practices, the Group had to provide for an amount of RM552 million on the stock of COVID-19 vaccines. The provision inevitably resulted in Pharmaniaga being classified as an affected listed issuer under Practice Note 17 (PN17) of the Main Market Listing Requirements of Bursa Securities, based on the announcement made on 27 February 2023. The Group is required to submit their Regularisation Plan to the relevant authorities within 12 months of the announcement, i.e. by 27 February 2024.

Nevertheless, the Group's core business activities remain viable. The Board and Management have undertaken the necessary measures to begin the regularisation of the financial conditions of the Group through the following:

- Established a PN17 Taskforce to steer and provide oversight on the regularisation plan;
- Appointed financial and legal advisors to assist debt restructuring exercise; and
- Implemented cost control and cost-cutting measures to redefine the expenditure and stabilise the cash flow.

The Board and the Management are committed and confident to turn around the Group and achieve a firmer financial position within the stipulated timeline. Moving forward, the Group will implement an appropriate strategy based on comprehensive due diligence to ensure business sustainability. In addition, the Group will continue to further strengthen the procurement function as follows, among others:

- Review current inventory management policies and procedures to enhance effectiveness and efficiency. The review should include inventory counts, monitoring of inventory turnover rates and a process for identifying slow-moving or obsolete items;
- Evaluate the demand for the stock and adjust the inventory accordingly. If the demand is low, consider reducing the inventory to avoid tying up valuable capital and incurring unnecessary storage and maintenance costs; and
- Regularly monitor inventory level to identify excess inventory and take appropriate corrective action to dispose of it. This may include selling at a discount, donating to charity and disposing of it through proper channels.

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 monthly to review and monitor matters pertaining to business operations. The review is based on performance reports providing comprehensive financial performance information 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 enhance further 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 independent and 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

Various communication channels ensure important information is identified, documented and shared in a form and timeframe that enable employees to carry out their responsibilities effectively and efficiently. Platforms available to enhance transparent and effective communication include:

Employee Engagement

The Management is committed to transparent and effective communication and values employee feedback. Transparent communication is essential to motivate employees to deliver high-quality and efficient services to customers and other stakeholders. Engagement with employees was conducted through various platforms and activities, either physical or online, on matters ranging from operations to welfare, as well as to provide updates on the Group's business directions.

Whistleblowing Policy

The Whistleblowing Policy provides a platform for parties to channel their complaints or provide information on fraud, wrongdoings or non-compliance with any rules or procedures by employees or the Management of the Group. The policy outlines when, how and to whom a concern may be raised appropriately, distinguishes a concern from a personal grievance and allows for concerns to be treated in confidence. The whistle-blower's identity is kept confidential, and protection is accorded to the whistle-blower against any form of reprisal or retribution. Any concerns raised will be investigated and reported to the Board. For the financial year under review, the Group established a dedicated Integrity and Governance Unit and sent two additional employees for Certified Integrity Officer (CeIO) training to further strengthen the effectiveness of whistleblowing in relation to any improper conduct.

Revolution of work culture – *DO IT RIGHT ALWAYS*

One of the core values of the Group is integrity by acting professionally, fairly and with a better *Do It Right* (DIR) work culture. Introduced in 2015, the *Do It Right* campaign aimed to inculcate a quality culture, encouraging all employees to take ownership of quality outcomes and always do things right. The campaign continued as *Do It Right Always* (DIRA), a quality management concept that emphasises defect prevention is more advantageous and cost-effective than defect detection and its resolution. In other words, prevention is better than cure.

The DIRA campaign has been adopted as a common working culture throughout the Group, embraced by employees through various activities consistently carried out since its inception in 2015. The DIRA document was reviewed and updated for the financial year under review to include Environment, Social and Governance (ESG) values in tandem with the global trend urging companies to adopt ESG in their business practices. The Group refreshed the DIRA to include ESG-related objectives and initiatives as follows:

Environment

- To inculcate a culture of handling environmental-related matters ethically, including responsible use of resources, disposal of waste and effluent, as well as the embarking on a decarbonisation programme in support of the Government's aspiration of achieving net zero carbon by 2050.

Social

- To instil a culture of unity and teamwork in delivering values to the Group and its stakeholders. Providing a healthy and conducive working environment is of utmost importance in ensuring the best productivity level.

Governance

- To ingrain a culture of integrity and accountability in achieving the Group's goals and business objectives by implementing best practices that are in line with rules & regulations as well as policies and SOPs that are in place.

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

This year has been challenging for the Group as several of our key risks have materialised and overwhelmed our risk management processes. The collective impact of these developments was reflected in the financial position of the Group.

All risk management matters, including BCM, recommendations and management actions, are rigorously deliberated upon at RMC and BRMIC meetings before being reported to the Board. The quarterly reports track the progress and completion status of all corrective actions taken on issues highlighted by the Management, Board and 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.

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. For areas which require improvement, action plans are being developed with implementation dates being monitored by the Management and Board.

This Statement on Risk Management and Internal Control is made following a resolution of the Board of Directors on 28 April 2023. 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 Chief Executive Officer and 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

The external auditors have reviewed this Statement on Risk Management and Internal Control as required in the paragraph 15.23 of the MMLR of Bursa Securities. 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 28 April 2023.

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 2022.

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 (4) Non-Executive Directors, three of whom including the Chairman are Independent Directors.

The Audit Committee is chaired by Sarah Azreen Abdul Samat and comprises of three members.

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 Securities 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 and majority of the members 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 auditor.

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 two (2) years before being appointed as a member of the Audit Committee.

The Audit Committee reviewed its report for the financial year ended 31 December 2022 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

MEETINGS AND MINUTES

A total of four (4) meetings were held during the financial year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set as follows:

Name of Director	Status of Directorship	Independent	Attendance
Sarah Azreen Abdul Samat [1]	Independent Non-Executive Director (Chairman of the Committee)	Yes	4/4
Dr. Abdul Razak Ahmad	Senior Independent Non-Executive Director	Yes	4/4
Datuk Lim Thean Shiang *(Appointed on 4 August 2022)*	Independent Non-Executive Director	Yes	2/2
Ahmad Shahredzuan Mohd Shariff *(Appointed on 22 February 2023)*	Non-Independent Non-Executive Director	No	0/0
Izaddeen Daud *(Resigned on 22 February 2023)*	Non-Independent Non-Executive Director	No	4/4
Zulkifli Jafar *(Resigned on 1 March 2022)*	Independent Non-Executive Director	Yes	1/1

Note: [1]The Audit Committee Chairman's profile can be viewed on page 101 of this Integrated Report.

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

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

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the Audit Committee members' trainings can be viewed on pages 129 to 131 of this Integrated Report.

KEY ACTIVITIES DURING THE YEAR

During the year, the Audit Committee carried out its duties as set out in its Terms of Reference. The information on the Terms of Reference of the 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 Securities, 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 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 Securities; 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 2022.

Integrated Report

1. Reviewed and endorsed the Statement on Risk Management and Internal Control (SORMIC) for Board's approval and disclosure in the 2022 Integrated Report.

2. Reviewed and approved the Audit Committee Report for incorporation in the 2022 Integrated Report.

3. Reviewed and endorsed the Corporate Governance Overview Statement and Report for Board's approval and inclusion in the 2022 Integrated Report.

AUDIT COMMITTEE REPORT

External Audit

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

1. Reviewed 2022 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 2022.

The external auditor's non-audit service fees and the statutory audit fees are available on page 244 of this Integrated Report.

Internal Audit

During the year, 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 year, 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 13 June 2022.
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 of Bursa Securities.

INTERNAL AUDIT FUNCTION

The Audit Committee (AC) 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). She has more than 18 years of commercial experience in internal audit, risk management, compliance and financial management (strategic and operational) encompassing a wide array of industries. She reports functionally to the Audit Committee to maintain the requisite independence and objectivity as outlined in the Audit Charter approved by the Audit Committee and administratively to the Chief Executive Officer.

In discharging its duties in accordance with the Three Lines of Defence Model, GIAD, being the third line of defence, is responsible to provide independent assessment of compliance with existing laws / regulations, policies and procedures, as well as evaluate the adequacy and effectiveness of the risk management systems, internal controls and governance processes of Pharmaniaga Berhad and its subsidiaries. This is accomplished through a systematic and disciplined approach of regular reviews based on the internal audit plan that is presented to and approved by the Audit Committee annually.

i. Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Pharmaniaga Berhad Internal Audit Charter last updated in February 2021, approved by the Audit Committee. GIAD operates and performs its activities in accordance with the principles of the Charter that provides for its independence. GIAD reports directly to the Audit Committee and is independent of the activities it audits. 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.

ii. Audit Planning and Work Done

GIAD adopts a risk-based methodology in planning and conducting audits based on risk assessment of the business operations and activities that are aligned with the Group's strategic plans, and the audit cycle. 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, and the COSO Internal Control Framework in conducting its reviews.

As of 31 December 2022, GIAD has in total 27 internal auditors, assigned to perform audits across the various divisions. At Pharmaniaga Berhad this consisted of audits for the manufacturing, logistics and distributions, sales and marketing, retail and support sectors of the Group. GIAD completed and issued internal audit reports for fifteen (15) assignments based on the approved annual audit plan. The audits conducted in 2022 covered a wide range of operational areas and processes within the Group, including review of stockholding and warehouse management, product planning and plant utilisation, finance, procurement, sales and marketing, quality assurance and concession management, information technology, transportation, environmental, social, governance (ESG) and corporate governance. The internal audit reports which included issues and action plans, were presented to and discussed with Management, and subsequently to the Audit Committee; for their attention, deliberation and / or corrective actions. GIAD also monitored the status of implementation of the agreed action plans to ensure full compliance.

INTERNAL AUDIT ACTIVITIES DURING THE YEAR

During the year under review, GIAD undertook the following activities:

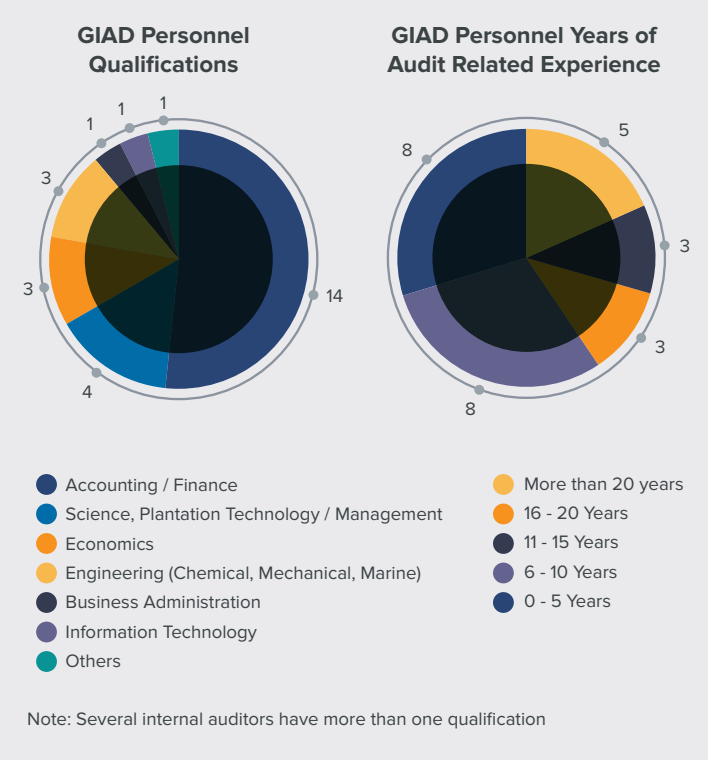
- Prepared the annual audit plan for approval by the Audit Committee;
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports;
- Issued internal audit reports on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes;
- Conducted root-cause analysis as part of the internal audit work to enable relevant recommendations to address any weaknesses noted;
- Undertook ad-hoc reviews 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 an ongoing 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; and
- 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.

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.

iii. Resources and Continuous Professional Development

GIAD continues its commitment to equip its internal auditors with the sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various trainings, seminars and courses, and are strongly encouraged to obtain appropriate professional certifications and qualifications. The internal auditors have over the years accumulated experiences in areas of governance, assurance, integrity, fraud and risk, as well as exposure in various industry practices.

The qualification and audit related years of experience breakdown of the GIAD team as of 31 December 2022 are shown below:



iv. Internal Audit Cost

GIAD had carried out the audits for Pharmaniaga Berhad with a total fee amounting to RM431,970 for the financial year ended 31 December 2022.

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 2022 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 28 April 2023.

SUSTAINABILITY STATEMENT

OUR APPROACH TO SUSTAINABILITY 150

ACHIEVING OUR SUSTAINABILITY GOALS

GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS 160

GOAL 2: ACTING WITH INTEGRITY 164

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY 166

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE 170

GOAL 5: BUILDING A BETTER SOCIETY 174

SUSTAINABILITY DATA PERFORMANCE 178

SECTION 07

OUR APPROACH TO SUSTAINABILITY

Propelled by our aspiration of becoming the leading company in the pharmaceutical industry with excellent sustainability performance, Pharmaniaga is committed to managing sustainability matters by recognising that our business activities have a significant impact on society and the environment. To ensure the resiliency of our operations, we have adopted a holistic approach that considers the long-term effects of our decisions on stakeholders, including employees, customers, suppliers, shareholders and the communities within our operations. By prioritising sustainable operations and transparency, we aim to build a positive reputation, create long-term value for shareholders and contribute to a more sustainable future.

We consider sustainability to be a journey that we constantly seek to improve through increased stakeholder engagement and the creation of more potent actionable strategies. While enhancing our performance, we also aim to improve transparency regarding our strategy and results through effective reporting. To achieve this, we ensure that our sustainability efforts are disclosed in a transparent manner by working with an external assurance provider and by welcoming feedback to pinpoint areas for improvement.

This Sustainability Statement summarises our approach to sustainability and the key outcomes achieved during the year. Please read our standalone Sustainability Report 2022 (SR2022) for a more comprehensive account of sustainability at Pharmaniaga. Our standalone SR2022, which can be viewed online or downloaded from our website at https://pharmaniaga.com/investor-relations-2/reports/, provides a deeper dive into our sustainability performance and achievements.

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

If you have any comments or would like more information on any of our initiatives, please contact Noor Fadzilah Abu Bakar, Head of Sustainability (ESG), at +603-3342 9999 or sustainability@pharmaniaga.com.

SUSTAINABILITY STATEMENT

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 12 Key Focus Areas which, together, guide us in better managing all risks and opportunities related to sustainability, thus helping us to enhance our Economic, Environmental, Social and Governance (EESG) performance.

In 2016, Pharmaniaga established a Sustainability Framework to guide us in implementing best practices in sustainability management. To support our strong commitment to providing value to our stakeholders, the framework was enhanced and made more thorough. Our sustainability efforts are aimed at striking a balance between economic prosperity, environmental stewardship, social responsibility and sound governance. By implementing a comprehensive Sustainability Framework that includes these key elements, we aim to improve our environmental performance and engage with and create long-term value for all stakeholders.

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

- Business Continuity
- Technology & Innovation
- Customer Satisfaction
- Sustainable Products & Services

GOAL 2
Acting with Integrity

- Corporate Governance & Business Ethics

GOAL 3
Achieving Operational Eco-Efficiency

- Environmental Compliance
- Resource Efficiency
- Greenhouse Gas & Climate Change

GOAL 4
Creating a Sustainable and High-Performance Workforce

- Talent Management
- Health & Safety

GOAL 5
Building a Better Society

- Supporting Local Businesses
- Corporate Responsibility

KEY FOCUS AREAS

Driven Strategic Initiatives

SUSTAINABILITY GOVERNANCE

The Board of Directors is instrumental in setting the tone for sustainability management across the Pharmaniaga Group of Companies, ensuring that a culture of sustainability permeates every level of the organisation and that sustainability is incorporated into corporate strategy. The sustainability governance structure defines the roles and responsibilities of key people at all levels in advancing sustainable business practices, ensuring that the organisation operates in a socially and environmentally responsible manner, while also providing long-term value to stakeholders.

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
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
SUSTAINABILITY MANAGEMENT COMMITTEE (SMC) Headed by: Chief Executive Officer	• 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
SUSTAINABILITY WORKING GROUP COMMITTEE (SWG) Headed by: Head of Sustainability (ESG)	• Guides the deployment of sustainability strategies and monitors sustainability performance • Reports regularly to SMC on progress of the Group's sustainability initiatives
SUSTAINABILITY (ESG) DEPARTMENT Headed by: Head of Sustainability (ESG)	• 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
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 GOALS AND KEY FOCUS AREAS

Sustainability goals and key focus areas enhance our ability to prioritise matters with significant impacts. The following table outlines the business strategies that are in place to support the achievement of each goal and describes the relationships between the tangible material matters and the risks that are linked to the respective goal.

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

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

Link to Strategic Pillars:
- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare for Sustainable Growth
- Develop Biopharmaceutical Capabilities
- Grow Pharmaniaga Household Brand 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 UNSDGs:

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Business Continuity	· Implement Business Continuity Management (BCM) Policy for the Group · Managing climate change related matters	· Establishment of BCM Policy with the Board of Directors' approval · Establishment of the Crisis Management Committee (CMC) to manage crises or disasters · Appointment of the Emergency Response Team at all subsidiaries as the focal point for BCM activities in relation to physical emergency · Establishment of multi-department Flood Task Force · Incorporation of environmental factors into ERM Framework to shape the Group's overall positioning of climate-related matters whilst enhancing the Group-wide strategy · Conducted climate risk assessment to identify and mitigate climate-related risks · Expanded the implementation of the Business Continuity Plan (BCP) to our Manufacturing Division		Page 161

GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS				
Related Material Matters	**Objectives & Targets**	**Progress in FY2022**	**Linked UNSDGs**	**Discussion in this Report**
Technology & Innovation	· Expand digital product and service offerings · Increase automation of critical and support processes within operations	· Partial implementation of sample automation to handle annual tender and sampling procedure · Development of a robust data recognition Graphical User Interface system for traceability purposes · Usage of Machine Learning & Artificial Intelligence for predicting demand forecasting in Supply Chain Management System · Additional Robotic Process Automation in 2022 for sample orders has facilitated 99.98% of the automation processes · Implementation of digital standard operating procedure at our Sungai Petani plant to reduce paper usage · Development of Building Management System for warehouse to improve compliance and better record keeping · Dry syrup automation at Seri Iskandar Plant to reduce the cycle time · Automation of end packaging process at Bangi plant as well as shipper sealing process at Sungai Petani to reduce manual process		Page 161
Customer Satisfaction	· All business units, projects or products achieved targeted customer satisfaction ratings	· Maintained customer satisfaction score of 98% for Ministry of Health (MOH) and increased the score by 4% from 96% for Ministry of Higher Education (MOHE) compared with the previous year · Maintained the Good Manufacturing Practices certification, ISO 9001:2015 Quality Management Systems and ISO 18295-1:2017 Customer Contact Centres amongst others to uphold product and service quality		Page 162

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

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Sustainable Products & Services	· Enhance sustainable product offerings · Achieve 2025 Product Development target · Compliance to Concession KPI	· Achieved 98.7% compliance with Concession KPI for all performance indicators stated in the Concession Agreement · 38 new products registered · Received Halal certification for 193 registered products, of which 15 products were certified in 2022 · Embarked into technology transfer and local manufacturing of Enoxaparin product · Development of a 6-in-1 combination vaccine (Hexavalent vaccine) for childhood immunisation in line with the Malaysian National Immunisation Programme		Page 163

GOAL 2: ACTING WITH INTEGRITY

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

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

Link to UNSDGs:

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Corporate Governance & Business Ethics	· 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 our Bangi, Seri Iskandar and Sungai Petani plants · Achieved zero non-compliance cases of anti-corruption · Two additional personnel were trained as Certified Integrity Officers at the Malaysia Anti-Corruption Academy (MACA) in July 2022 · Conducted integrity pledge and signing ceremony by the Pharmaniaga's Board and Management team with Malaysian Anti-Corruption Commission · Eight out of 11 Board of Directors (73%) received training on anti-corruption · Maintained the ISO/IEC 27001: 2003 Information Security Management Systems · Encrypted connection of RoyalePharma website via Secure Sockets Layer (SSL) · Achieved zero non-compliance involving breaches of customer privacy		Page 165

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY

Link to Key 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 UNSDGs:

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Environmental Compliance	· Zero environmental non-compliance cases	· Consistently maintained full environmental compliance, including ISO 14001: 2015 Environmental Management Systems at Manufacturing and Logistics & Distribution Divisions		Page 167
Resource Efficiency	· Reduce waste generated, and increasing water use efficiency across the Group	· Increased the utilisation of grey back carton from 215.39 tonnes in 2021 to 222.36 tonnes in 2022 · Transformed 7.75 tonnes of hazardous waste use into alternative raw materials for cement industry (as additive in burning process) · Recycled 737.72 tonnes of non-hazardous waste across operations · Recycled 11.06 megalitres of water, enabling saving of RM25,270 at Bangi and Puchong plants via Reverse Osmosis (RO) Purified Water System		Page 168
Greenhouse Gas & Climate Change	· Increase the use of renewable energy sources · 15% reduction in Greenhouse Gas (GHG) absolute emissions by 2025, against 2019 baseline	· Embarked on Decarbonisation Programme · Utilisation of two electric vans for last mile distribution resulted in approximately 70% and 45% of reduction in fuel cost and GHG emissions, respectively. · 8.5% reduction in energy consumption across operations against 2019 baseline · 17.1% reduction in total emission across operations against 2019 baseline · Generated 767.48 GJ solar energy at our Sungai Petani plant · Implemented various energy saving initiatives resulting in 2,267.11 tCO_2e of GHG emissions avoidance, enabling a cost savings of RM1.3 million · Established the first climate-related risk report by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)		Page 169

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

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

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

Link to UNSDGs:

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Talent Management	· To sustain employee attrition rate below 13% for Malaysia (60% weighting) and Indonesia (40% weighting) · Zero non-compliance cases related to employment and labour practices · Achieve 30% gender diversity target at Top, Senior, Middle Management and Executive level · To build capability for superior performance by 2025 through Succession Planning Programme (SPP), High Potential Programme (HiPo) and Career Path Programme (CPP)	· Received 84.4% from Happy and Lively Organisation (HALO) survey · Provided opportunities for higher education through our Continual Education Programme · Established Employment Policy · Achieved zero non-compliance cases related to employment, labour practices as well as violations on human rights · Achieved zero reported incidents of discrimination amongst employees · 99.7% employees are local · Female composition achieved in 2022: Senior Management: 33.9% Executive: 60.5% · 196 individuals provided with graduate employment opportunities · Providing an average of 32 training hours per employee (23% increase from 2021)		Page 171

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE				
Related Material Matters	**Objectives & Targets**	**Progress in FY2022**	**Linked UNSDGs**	**Discussion in this Report**
Health & Safety	· Zero fatality · Year-on-year Lost Time Injury Frequency Rate (LTIFR) reduction of 10% · Provide safe, healthy and conducive working environment for all employees	· No major accidents recorded across all our operations in 2022 · Maintained the ISO 45001:2018 Occupational Health and Safety Management Systems certification for Manufacturing and Logistics & Distribution arms · Provided 227 counselling sessions throughout the year to provide social and mental support · Provided free COVID-19 test kits to all employees as and when required		Page 173

GOAL 5: BUILDING A BETTER SOCIETY				
Link to Key Risks: · Business Risk	**Link to Strategic Pillars:** · Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing · Reinforce Human Capital through Capability Building for Superior Performance		**Link to UNSDGs:**	
Related Material Matters	**Objectives & Targets**	**Progress in FY2022**	**Linked UNSDGs**	**Discussion in this Report**
Supporting Local Businesses	· Prioritise local vendors and suppliers · Enhance the quality of vendor development initiatives · Provide business opportunities to the local community through special projects	· 70% of procurement budget spent on local suppliers · 363 active RoyalePharma Alliance members · Engaged with 23 vendors appointed by MOH through Vendor Development Programme (VDP) · Assisted a vendor under VDP in securing a grant amounting to RM1 million for manufacturing innovative medical equipment through VDP		Page 175
Corporate Responsibility	· Establish and implement a strategic Corporate Responsibility (CR) policy at Group level	· Invested RM3.1 million in CR initiatives throughout Malaysia (inclusive of zakat contribution) · Three sustainable CR projects were successfully organised to provide long-term positive impacts to the community		Page 176

SUSTAINABILITY STATEMENT

ACHIEVING OUR SUSTAINABILITY GOALS

GOAL 1 DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

MATERIAL MATTERS	LINK TO
BUSINESS CONTINUITY	KEY RISKS: Business Risk Financial Risk Legal and Regulatory Risk
TECHNOLOGY & INNOVATION	STRATEGIC PILLARS: Establishing the Premier Integrated Logistics & Distribution Dominance Research & Development in Healthcare for Sustainable Growth Develop Biopharmaceutical Capabilities Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing Strengthen Footprints in International Ventures via Focus Countries Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
CUSTOMER SATISFACTION	
SUSTAINABLE PRODUCTS & SERVICES	CAPITALS: Financial Manufactured Intellectual Social and Relationship UNSDGs:

PERFORMANCE HIGHLIGHTS

- Customer satisfaction scores:
  MOH : 98% (maintained)
  MOHE : 100% (increased by 4%)
- **15 new products** successfully Halal-certified, bringing the total to **193 Halal registered products**
- Establishment of **BCM Policy**
- Development of a **6-in-1 combination vaccine** (Hexavalent vaccine) for childhood immunisation
- **44 new products** registered
- Usage of **Machine Learning & Artificial Intelligence** for predicting demand forecasting in Supply Chain Management System

BUSINESS CONTINUITY

Our efforts to maintain business continuity include ensuring that critical business operations can continue to operate both during and after disruptive events such as natural disasters, cyberattacks or other unforeseen events that could disrupt operations. By implementing a robust business continuity plan, we aim to minimise the impact of disruptions and quickly resume normal operations, reducing negative effects on our bottom line and reputation. Additionally, having a business continuity plan assists us in complying with regulations, meeting customer expectations and demonstrating our commitment to resilience and reliability.

Key Initiatives and Achievements

- Established our Business Continuity Management (BCM) Policy to formalise the BCM working committee and Crisis Management Committee
- Appointed Emergency Response Team at all Malaysian subsidiaries as the focal point for BCM activities related to physical emergency
- Expanded Business Continuity Plan (BCP) implementation to our Manufacturing Division with the establishment of a BCM working committee following the successful implementation of the BCP in the Logistics & Distribution Division
- As part of our firm dedication to improving our management of climate change-related issues, we incorporated climate-related risks into our ERM Framework

TECHNOLOGY & INNOVATION

Pharmaniaga believes that advanced technology and continuous innovation have always had a significant impact on enhancing our operational efficiencies. As we ensure our products and services are of the highest quality, we recognise the importance of technological advancement and continuous innovation. Our initiatives include the adoption of digitalisation for better operational performance. We are also investing in automation and Industrial Revolution 4.0, which aim to reduce the wastage of resources and further accelerate manufacturing processes.

Key Initiatives and Achievements

Strengthening Automation across our Operations

- We adopted a Sample Automation Project by developing a robust object and text recognition GUI system for product traceability
- Our Seri Iskandar plant developed a Building Management System for stability chambers in its warehouse to enhance compliance and record-keeping, as well as establishing Dry Syrup Automation to reduce cycle time
- We automated the end packing process in the Bangi plant and shipper sealing process in the Sungai Petani plant to reduce manual processes
- RPA is utilised for the distribution of Approved Products Purchase List (APPL) items, where it automates almost 100% of the manual data entry processes
- We used artificial intelligence for predictive stock forecasting, stock holding and pallet capacity planning, which will alert us on trends and provide information on news that might impact our supply chain or future risks related to stock management

Moving towards a Paperless Office

- Our readiness to implement electronic batch records (eBMR) is being reviewed to reduce our dependency on paper-based batch records
- A digital standard operating procedure was implemented at our Sungai Petani plant and is expected to be applied at other Manufacturing sites

CUSTOMER SATISFACTION

Customers form the most important part of the business, and we strive to meet customer satisfaction with our product and service quality. To continue improving our services and understand our customer's needs and expectations, our Contact Care Agents (CCAs) play a crucial role in managing feedback through surveys and continuous engagements. Our efforts to provide exceptional customer service include engagement programmes to increase their trust and support, which will result in higher profitability.

Key Initiatives and Achievements

- Visited and shared information with the Ministry of Health, Pusat Tanggungjawab (PTJ) and Jabatan Kesihatan Negeri across all states as a means to build long-term business relationships between pharmacists and CCAs.

Customer satisfaction scores:

	2021 (%)	2022 (%)
MOH	98	98
MOHE	96	100
Private Sector	94	N/A

- Maintained all ISO certifications relating to customer satisfaction and product responsibility, including ISO 9001:2015 Quality Management Systems and ISO 18295-1:2017 Customer Contact Centres
- Recorded zero cases of non-compliance in 2022 with regards to information and labelling, as well as health and safety impacts related to the use of products and services
- Conducted internal and external audits to ensure compliance with Good Manufacturing Practices, Good Distribution Practice, Good Distribution Practice for Medical Devices, Pharmacist Type-A Licence as well as Good Clinical Practice, Good Laboratory Practices and Regulatory Pharmacopoeias at our business operations to ensure the safety and quality of our products

SUSTAINABLE PRODUCTS & SERVICES

We aim to provide healthcare products that are accessible to and affordable by all consumers, which includes the creation of generic versions of various drugs by our Research & Development (R&D) Division. In our efforts to make products more affordable, our R&D Division is constantly exploring new first-to-market generic products. The 10-year Development Programme serves as a guide in ensuring that our consumers have access to affordable healthcare products from various segments. This includes the pharmaceuticals, biopharmaceuticals and over-the-counter (OTC) product segments. Our Halal certification also ensures that our products can reach a wider range of consumers, promoting inclusion as they rapidly gain worldwide recognition for new standards of safety and quality assurance. Leveraging digitalisation, we utilise Business Intelligence (BI) and the Power BI Dashboard to track and report the delivery of products to customers. We also employ a multichannel e-commerce management tool to extend our reach to customers and enhance our visibility.

Key Initiatives and Achievements

- Pharmaniaga is currently developing a six-in-one hexavalent vaccine for childhood immunisation in line with the Malaysian National Immunisation Programme
- Implemented a rigorous development process involving multidisciplinary experts and teams to maintain the high quality and safety standards of our products
- Ensured that there was at least six months' worth of stocks of Active Pharmaceutical Ingredients (APIs) in the plant or local supplier's warehouse whilst continuing to source for alternative suppliers and products
- Applied BI and the Power BI Dashboard to track the products delivered to our customers, and due to the dedication and discipline of our Logistics & Distribution Division, we achieved an overall performance to concession agreement of 98.7%
- Obtained Halal certification for 193 registered products, of which 15 were certified in 2022
- Embarked on technology transfer and local manufacturing of Enoxaparin product
- Three employees were certified as Halal executives by the Halal Professional Board and 15 certified internal Halal auditor
- Our Bandung plant was deemed as 'Excellent' by Lembaga Pengkajian Pangan Obat-Obatan dan Kosmetika – Majelis Ulama Indonesia (LPPOM MUI) for its implementation of the Halal Assurance System, following the Halal certification of one of its products
- Panel member to develop National Occupational Skills Standards (NOSS) for Halal Audit
- Achieved cost savings of RM3.9 million in capacity and yield improvements, as well as RM0.75 million in lead and cycle times, inventory reduction and productivity improvements by implementing cost and productivity optimisation through the Pharmaniaga Production System

GOAL 2 ACTING WITH INTEGRITY

MATERIAL MATTERS	LINK TO
CORPORATE GOVERNANCE & BUSINESS ETHICS	**KEY RISKS:** Legal and Regulatory Risk Cybersecurity Risk **STRATEGIC PILLARS:** Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing Strengthen Footprints in International Ventures via Focus Countries **CAPITALS:** Financial Social and Relationship **UNSDGs:**

PERFORMANCE HIGHLIGHTS

- Successful **ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification** for our Bangi, Seri Iskandar and Sungai Petani plants
- Conducted **integrity pledge and signing ceremony** by the Pharmaniaga's Board and Management team with Malaysian Anti-Corruption Commission
- Maintained the **ISO/IEC 27001: 2013 Information Security Management Systems**
- **Encrypted connection** of RoyalePharma website via Secure Sockets Layer
- Achieved **zero** non-compliance cases involving anti-corruption and breaches of customer privacy

CORPORATE GOVERNANCE & BUSINESS ETHICS

Corporate governance and business ethics are vital in creating a culture of integrity, trust and accountability in an organisation. Pharmaniaga is always committed to carrying on its business ethically and remains guided by its effective corporate governance foundation and framework in ensuring our organisation maintains long-term sustainable growth and shareholder value. Our Board of Directors, Board Committees, Directors and Management team have specific tasks and responsibilities, along with fiduciary duties and leadership responsibilities. In managing business ethics and corporate governance, Pharmaniaga adheres to corporate policies that are reviewed on a regular basis. We are also committed to upholding the ISO 37001: 2016 Anti-Bribery Management Systems (ABMS), and our efforts include the vendors' appointment process, which requires that they understand and adhere to the tenets of our policies and procedures and training on anti-corruption.

As we strive to protect data privacy and security, Pharmaniaga is governed by its Information Security Policies and Standards to ensure controls are in place when accessing personal data. Data privacy and information security are managed by Pharmaniaga's Information Technology and Information Security Coordinators, who implement various measures to strengthen our cybersecurity system.

Key Initiatives and Achievements

- All our operations under Logistics & Distribution Division have implemented the ABMS, whilst our Manufacturing Division has successfully obtained ABMS certification in 60% of its operations, comprising our Bangi, Seri Iskandar and Sungai Petani plants
- Various integrity programmes were conducted across our operations, including the ABMS Roadshow, Integrity Training & Pledge and induction for new employees, amongst others
- Maintained our ISO/IEC 27001: 2013 Information Security Management Systems (ISMS) certification by conducting annual audits and implementing ISMS activities
- A Cybersecurity Vulnerability Assessment Penetration Test exercise is conducted once every two years to identify and address security vulnerabilities in our system
- Expanded our business-to-consumer channels, such as RoyalePharma Online at www.royalepharma.com, and provided RoyalePharma 24/7 vending machines for easier access for consumers. As part of our concerted efforts to safeguard data privacy, our website is protected by digital certificates and remains encrypted via Secure Sockets Layer (SSL)
- We are pleased to report that there were zero cases of non-compliance involving anti-corruption and breaches of customer privacy in 2022

Company policies related to integrity

Anti-Bribery Policy

Whistleblowing Policy

Gifting Policy

Donation Policy

Anti-Money Laundering Policy

Vendor Code of Ethics

Code of Ethics and Conduct

GOAL 3 ACHIEVING OPERATIONAL ECO-EFFICIENCY

MATERIAL MATTERS	LINK TO
ENVIRONMENTAL COMPLIANCE	**KEY RISKS:** Environmental Sustainability Risk Legal and Regulatory Risk
GREENHOUSE GAS & CLIMATE CHANGE	**STRATEGIC PILLARS:** Strengthen Footprints in International Ventures via Focus Countries Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation
RESOURCE EFFICIENCY	**CAPITALS:** Natural **UNSDGs:**

PERFORMANCE HIGHLIGHTS

- **17.1% reduction** in Greenhouse Gas Emissions against 2019 baseline
- Transformed **7.75 tonnes** of hazardous waste use into **alternative raw materials** for cement industry
- **767.48 GJ** generated from solar energy
- **737.72 tonnes** of non-hazardous waste recycled
- **RM1.3 million of cost savings achieved** from energy-saving initiatives
- **222.36 tonnes** of recyled input material utilised in manufacturing facilities
- Established the **1st climate-related risk report** by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)

ENVIRONMENTAL COMPLIANCE

We understand the need to minimise our impact on the environment; thus, it is our responsibility to comply with all relevant guidelines, laws and regulations. All our operational actions must adhere to the pertinent environmental regulations, which are guided by the ISO 14001: 2015 Environmental Management Systems (EMS). This system is monitored by the Environmental Management Representatives (EMRs), who report environmental performance to the Environmental Management Committees and Sustainability (ESG) Department monthly. The performance are then updated to the Management and Board Sustainability Committee (BSC) on a regular basis.

Key Initiatives and Achievements

Consistently maintained environmental compliance, including EMS certification through:

- Awareness training during Department Training Programme (DTP) and Induction Programme on EMS
- Internal communications and information sharing through assembly, Quality Environment Safety Health (QESH) Week, quarterly Environmental, Health and Safety (EHS) meetings, annual Management Review
- Environmental Aspect Impact Assessment, Environmental Risk Assessment, internal and external issues
- Documented information control for EMS i.e. EMS Policy, Manual, Standard Operating Procedure (SOP), Work Instruction (WI)
- Close engagements and reporting the outcome to Department of Environment (DOE)
- Robust pollution control by implementing various systems such as dust collector system, industrial effluent treatment system, sewage treatment plant and scheduled waste management system
- Certified Competent Person to monitor and report the data to DOE (CePSwaM, CEPSO, CePIETSO, CePBFO)

RESOURCE EFFICIENCY

Resource efficiency is becoming increasingly important for organisations as it helps in reducing costs, minimising waste and improving environmental sustainability. By implementing efficient resource management, we are determined to comply strictly with relevant laws and regulations, minimise risk and innovate to stay competitive in the market.

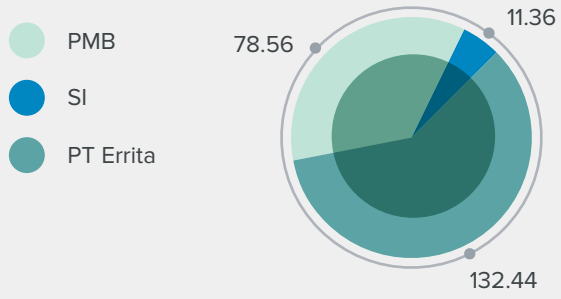
We ensure that our practices for managing materials, waste and water adhere to the requirements for EMS certification. Internal and external audits were conducted throughout the year to guarantee the effectiveness of our EMS.

Materials and Waste Management

Responsible material and waste management is crucial at Pharmaniaga as we generate utilise material and generate waste from our upstream and downstream business activities. Effective inventory planning allows us to enhance material consumption by forecasting demand to prevent excessive usage. The Group continued to implement initiatives and control measures to manage material consumption and ensure the efficient use of raw materials. This was demonstrated by the increased usage of packaging material made of recycled input material. A five-tier waste mitigation hierarchy is employed to prioritise waste prevention before resorting to sending waste to landfill. We ensure all recyclables from non-hazardous waste are recycled and scheduled waste is disposed of according to the rules and regulations.

Key Initiatives	Achievements
Utilised recycled material as packaging material	Total recycled packaging material usage of 222.36 tonnes
Recycled and reused non-hazardous waste	• 737.72 tonnes of non-hazardous waste recycled • 36.28 tonnes of pallets reused
Repurposed hazardous waste into alternative raw materials	Repurposed 7.75 tonnes of hazardous waste into alternative raw materials with cost savings of RM16,825.40 at our Bangi plant

Recycled Material as Packaging Material (tonnes)

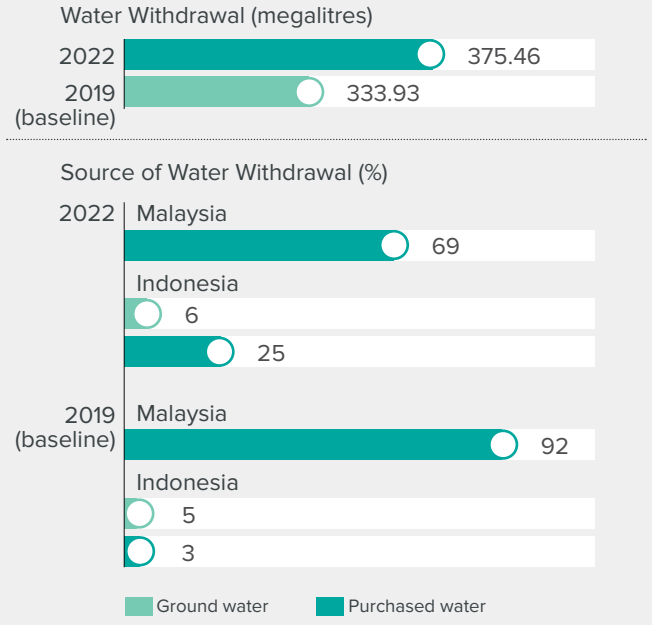


Water and Effluents Management

Water is an essential resource as it plays a critical role in the manufacturing process of our products. Cognisant of the potential negative impacts our operations may have on nearby water bodies, we stringently comply with the relevant laws and regulations, particularly the Environmental Quality (Industrial Effluents) Regulations 2009, in managing our water and effluent discharge. We continue implementing water recycling and rainwater harvesting programmes in our efforts to reduce our dependency on purchased water withdrawal.

Key Initiatives	Achievements
Water recycling project	11.06 megalitres of water was recycled, giving RM25,270 in cost savings
Rainwater harvesting project	0.13 megalitres of rainwater harvested

Water Management



Note : One of our operations in Indonesia withdrew groundwater and managed the water quality in-house

GREENHOUSE GAS & CLIMATE CHANGE

The management of greenhouse gas emissions and climate change is of critical importance to protect the planet's ecosystems for future generations. Our commitment includes the implementation of a Decarbonisation Programme to support the nation's aspiration of achieving net zero carbon emissions by 2050. We strive to minimise our carbon footprint through various initiatives and strict compliance with relevant regulations.

Key Initiatives	Achievements
• Implemented comprehensive energy reduction initiatives as part of our efforts to optimise energy consumption in our operations • Commenced a Decarbonisation Programme that focuses on the implementation of energy efficiency, a renewable energy programme and the use of electric vehicles	Energy and GHG emissions performance in 2022: • Total energy consumption: 229,010.43 GJ (8.5% reduction against 2019 baseline) • Energy intensity: 65.23 GJ/RM million of revenue (26.5% reduction against 2019 baseline) • Total GHG emissions: 31,096.51 tCO_2e (17.1% reduction against 2019 baseline) • GHG emissions intensity: 8.86 tCO_2e/RM million of revenue (33.4% reduction against 2019 baseline) • Cost savings of RM1.3 million from energy-saving initiatives • Generated 767.48 GJ through solar panels at our Sungai Petani plant • The use of two electric vans under the Decarbonisation Programme, resulted in approximately 70% and 45% of reduction in fuel cost and GHG emissions, respectively
• Embarked on our first climate-related risk report based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	• Climate-related risk was monitored and deliberated at the Board level. • Climate risk assessment was conducted to assess the climate categories, potential impacts and mitigation actions

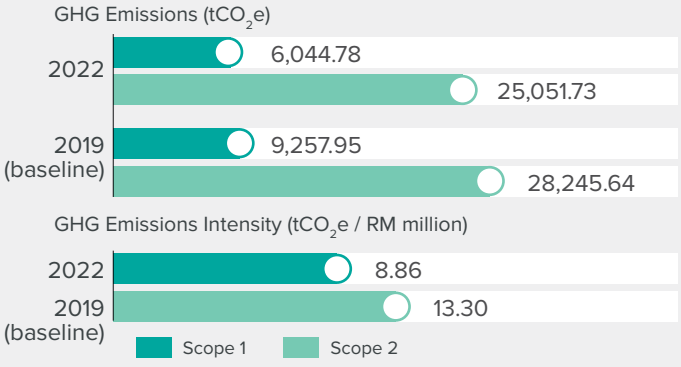
GHG Emissions and Energy Management

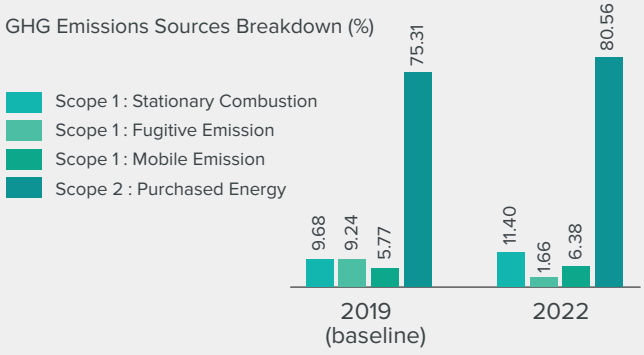
Energy Performance

Breakdown of Energy Consumption by Non-Renewable and Renewable Sources (%)

Country	Malaysia		Indonesia	
Year	2022	2019	2022	2019
Purchased energy	62.02	65.17	39.80	36.27
Diesel (Stationary combustion)	1.31	1.56	7.61	7.00
Diesel (Mobile combustion)	3.67	3.28	0.65	0.31
Petrol (Stationary combustion)	0.01	0.00	0.00	0.00
Petrol (Mobile combustion)	1.29	0.80	51.94	56.42
Solar (Renewable energy)	0.39	0.26	0.00	0.00
Natural gas (Stationary combustion)	28.79	31.19	0.00	0.00
LPG (Stationary combustion)	0.14	0.12	0.00	0.00

GHG Emissions Performance





GOAL 4 CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

MATERIAL MATTERS	LINK TO
HEALTH AND SAFETY	KEY RISKS: Business Risk; Legal and Regulatory Risk
TALENT MANAGEMENT	STRATEGIC PILLARS: Reinforce Human Capital through Capability Building for Superior Performance

CAPITALS:

- Human
- Intellectual
- Social and Relationship

UNSDGs:

PERFORMANCE HIGHLIGHTS

- Received **84.4%** from Happy and Lively Organisation (HALO) survey
- **99.7%** employees are local
- **Female composition:**
  Senior Management : **33.9%**
  Executive : **60.5%**
- **196** individuals provided with graduate employment opportunities
- Provided **227 counselling sessions** to provide social and mental support
- Achieved **zero** non-compliance cases related to employment, labour practices as well as violations on human rights

TALENT MANAGEMENT

At Pharmaniaga, we believe that talent management is essential to retain our employees and develop a high-performing workforce that will ensure the sustainable growth of the business. Our initiatives in conducting effective talent management include developing talents with sufficient and relevant training to make them better skilled.

We truly value and support our employees by encouraging employee engagement in the organisation through many activities such as festivals, celebrations and religious activities, as well as promoting health and well-being. Our efforts also include revising the Employee Handbook and establishing a new remuneration and benefits package which includes new job grading, a structure based on the Hay Reference Level for Executives and standardised benefits based on employee group. We strive to measure the engagement and happiness of employees by conducting a happiness survey to meet their needs and expectations.

We are committed to adhering to all relevant laws relating to employment practices. In line with our commitment, we have established an Employment Policy that, amongst others, addresses employees' rights and well-being. Besides, we ensure to treat our employees fairly and with respect by complying with the relevant labour laws and regulations in Malaysia and Indonesia.

We recognise the value of diversity and inclusion in our workforce and seek to embrace diversity throughout the Group with equal opportunity for all during the recruitment process. Pharmaniaga does not tolerate discrimination against employees regardless of their race, age, gender or disability. In addition to adhering to the Gender Diversity Policy, we are proud that our female employees have been acknowledged by the Nomination Committee (NC) of the Group's Board of Directors as a check and balance in the organisation.

Key Initiatives and Achievements

Upholding Human Rights, Diversity and Inclusion

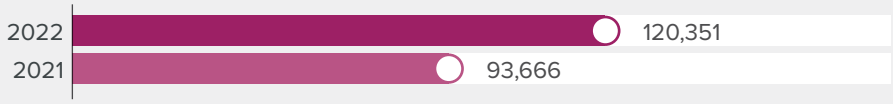
- There were zero reported incidents of discrimination amongst employees
- Our total workforce in Malaysia and Indonesia was 3,778 in 2022, with 99.7% of all employees hired locally
- Provided graduate employment opportunities, including:
  - 79 PROTÉGÉ
  - 6 Provisionally Registered Pharmacists
  - 111 Pharmaniaga Internships
- Established the Employment Policy to protect employees and eradicate discrimination
- Hired a total of 755 new employees to strengthen our workforce and enhance the overall productivity of our operations
- 0.1% employees with disability
- Zero cases of discrimination amongst employees and violations of human rights were recorded

Building Superior Talent Pool

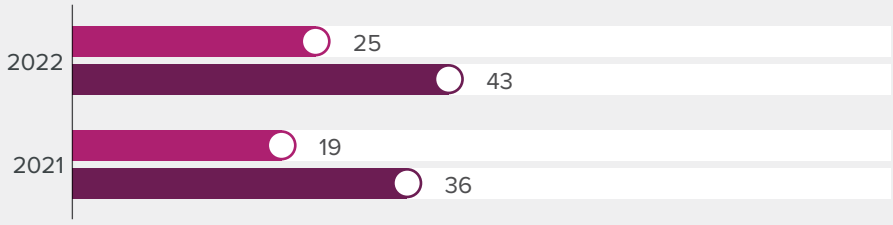
- Revised the Employee Handbook and introduced a new job remuneration and benefits package which includes new job grading, a structure based on Hay reference Level for Executive and standardised benefits based on employee Group
- Conducted the first Happy and Lively Organisation (HALO) Survey and achieved 84.4% in overall happy responses through the survey
- Invested approximately RM2.2 million in employee training and development, an increase of almost 38% compared to 2021
- Provided 120,351 hours of training, focusing on capacity and knowledge-building, equivalent to an average of 32 hours of training per employee

Employee Training and Development

Total Training Hours

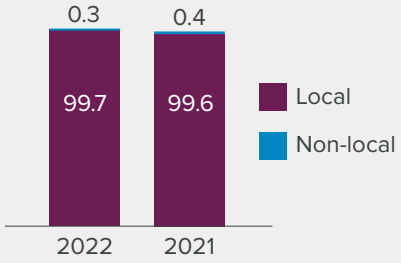


Average Training Hours by Gender

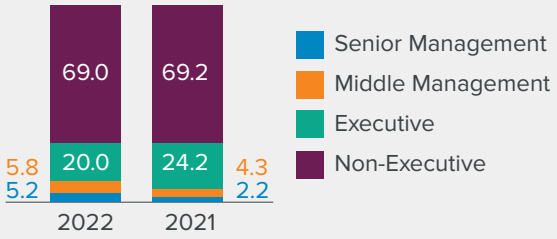


Diversity & Inclusion

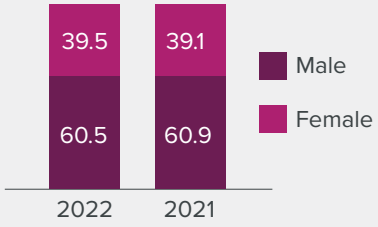
Employee Distribution by Nationality (%)



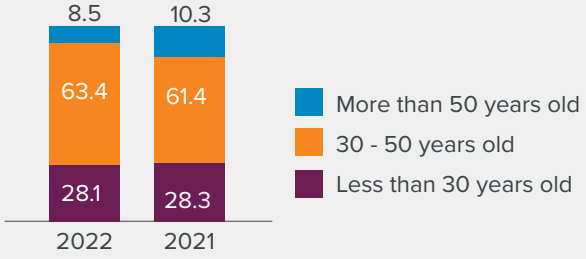
Employee Distribution by Employee Category (%)



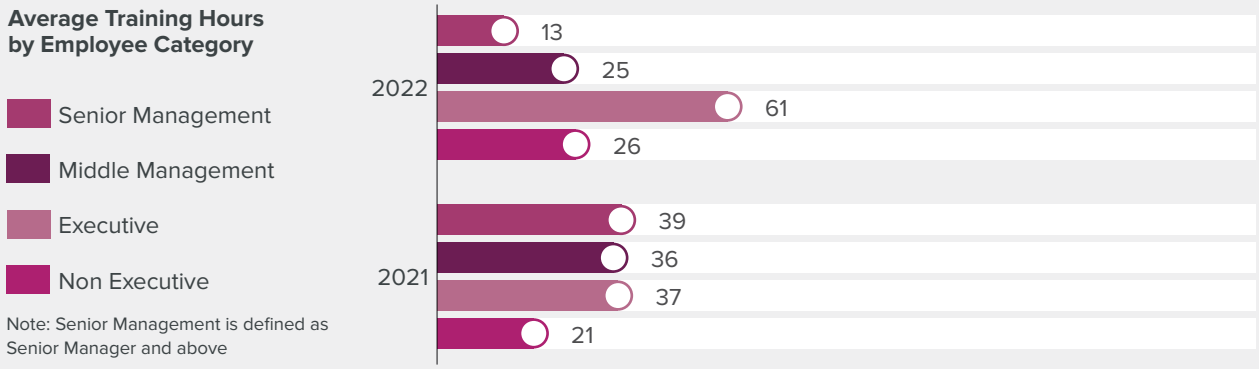
Employee Distribution by Gender (%)



Employee Distribution by Age (%)



Average Training Hours by Employee Category



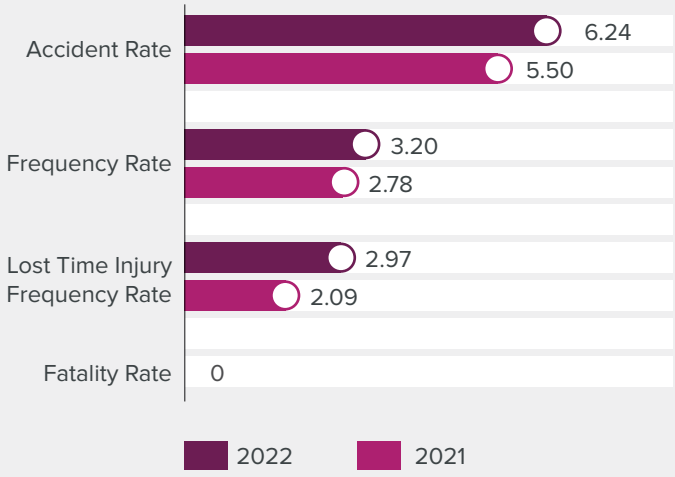
Note: Senior Management is defined as Senior Manager and above

HEALTH & SAFETY

Health and safety of our employees is of utmost importance. True to this, our Manufacturing and Logistics & Distribution arms maintain the ISO 45001: 2018 Occupational Health and Safety Management Systems (OHSMS) certification to better manage health and safety risks in the workplace. Following our efforts in reducing hazard risks, a Hazard Identification, Risk Assessment and Risk Control/Hazard Identification, Risk Assessment and Determining Control (HIRARC/HIRADC) process is conducted prior to any activities being carried out. Pharmaniaga is determined to ensure the health and safety of its employees by providing them with related training, as well as a certified counsellor to support their social and mental health.

Key Initiatives and Achievements

- Pharmaniaga maintained the OHSMS certification across our Manufacturing and Logistics & Distribution arms
- Provided relevant health and safety training and programmes to all employees
- Promotion of awareness of mental health issues and provided 277 counselling sessions to provide social and mental support to our employees



Health & safety - related training conducted throughout the year

GOAL 5 BUILDING A BETTER SOCIETY

MATERIAL MATTERS	LINK TO
SUPPORTING LOCAL BUSINESSES	**KEY RISKS:** Business Risk **STRATEGIC PILLARS:** Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
CORPORATE RESPONSIBILITY	Reinforce Human Capital through Capability Building for Superior Performance **CAPITALS:** Social and Relationship **UNSDGs:**

PERFORMANCE HIGHLIGHTS

- **70%** of procurement budget spent on local suppliers
- **363** active RoyalePharma Alliance members
- **Three** sustainable CR projects were successfully organised:
  - **PharmaApprentice**
  - **PharmaCare**
  - **PharmaGreen**
- Invested **RM3.1 million** in community engagement and zakat contribution

SUPPORTING LOCAL BUSINESSES

Supporting local businesses is beneficial for both the Group and the community. Pharmaniaga has always believed that it is our responsibility to give back to the local economy by supporting local enterprises. As we recognise our potential to help in developing the local SME ecosystem, we prioritise local suppliers and vendors for non-speciality items, without neglecting the fact that we still need to source excipients and vaccines from international suppliers.

Our efforts also include various programmes such as RoyalePharma Alliances, which aim to form strategic partnerships with registered local independent pharmacies (IPs), and the Vendor Development Programme (VDP), an initiative to enhance the knowledge of our vendors and suppliers with related training and skills.

Key Initiatives and Achievements

Vendor Development Programme (VDP)

- We provided skills training and various forms of assistance including grant application consultations. One vendor secured RM1 million for manufacturing innovative medical equipment as a result of our grant application consultations
- Continuous engagement with 23 vendors appointed by the Ministry of Health

RoyalePharma Alliances

- We offered a wide range of products (over a thousand) through this programme to improve procurement efficiency whilst increasing competitiveness through product availability
- We aim to support the Alliances by allowing low minimum order quantity and extending credit term to enable them to overcome stiff competition from big chain pharmacies

Year	Number of active Alliances
2022	363
2021	347

CORPORATE RESPONSIBILITY

Pharmaniaga continues to support our local communities with programmes focusing on our four main pillars – Welfare, Education, Health and Others. We are committed to contributing to the community, and our initiatives are guided by a five-year roadmap with the objective of identifying and planning strategic corporate responsibility (CR) programmes. In 2022, we continued to create value for our stakeholders through these programmes by investing RM3.1 million in CR, comprising programmes related to the main pillars as well as zakat contribution.

Key Initiatives and Achievements

Sustainable CR Programme

- We initiated the PharmaApprentice programme in collaboration with Jabatan Pendidikan Negeri Selangor (JPN) to enhance and empower the lives of unfortunate students who had been affected by COVID-19
- PharmaCare, a programme in collaboration with the Malaysian Armed Forces (ATM) in providing necessities and schooling assistance to stateless children in Sabah
- Pharmaniaga collaborated with a local university in sponsoring *Kelulut* colonies for low-income families to take up honey farming

Philanthropic Contributions

Health

- Distributed healthcare products such as Vitamin C to flood victims and school alumni associations
- Provided COVID-19 test services to school alumni associations
- Contributed personal protective equipment to non-governmental organisations, the ATM and universities
- Provided medicines, medical equipment and necessities to public health clinics and hospitals
- Promoted health and well-being programmes at the MOPI Conference 2022

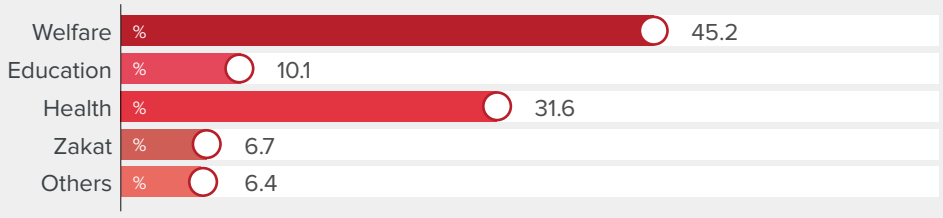
Welfare

- Contributed medicines to the post-flood programme organised by the Ministry of Defence, and donated to the Aidilfitri programme
- Distributed food staples to organisations
- Contributed to various parties, including the public sector, during the holy month of Ramadan and the Hari Raya festive season
- Donated various medical and rehabilitation equipment to public hospitals and associations

Education

- Distributed school bags and stationery sets to associations
- Donated Al-Quran and staple food for flood victims at four schools, through Kelab Kecemerlangan Insaniah KL
- Provided back-to-school programme items to a community service centre
- Sponsored the replacement of chairs and tables for SPM candidates at a school
- Provided monetary contributions for the Uniszapreneur Competition 2022, organised by Universiti Sultan Zainal Abidin (UniSZA), Terengganu

Breakdown of Contribution to Society (%)



Total investment in community development and zakat contributions in 2022: RM3.1 million

PharmaGreen Arnia

Hero Ramadan IPD Serdang

Medicines to Klinik Kesihatan Mansiat

PharmaApprentice Motivational Talk by Pharmaniaga Certified Counsellor

PharmaApprentice Inaugural Ceremony

PharmaCare

PharmaApprentice Motivational & Leadership Camp

PharmaApprentice Financial Assistance

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL					
Indicator	**Unit of Measurement**	**2019**	**2020**	**2021**	**2022**
EMISSIONS					
I. GHG EMISSIONS					
SCOPE 1					
Stationary Combustion					
Diesel - Gen set	tCO_2e	11.18	7.53	20.14	19.88
Diesel - Boiler		435.43	403.50	331.65	365.58
Petrol - Forklift		-	-	-	1.66
Natural Gas - Boiler		3,164.84	3,067.97	3,609.36	3,142.31
Liquefied petroleum gas (LPG) - Stoves		20.20	14.80	15.51	15.51
Total Stationary Combustion		3,631.64	3,493.81	3,976.67	3,544.94
Fugitive Emission					
Refrigerant	tCO_2e	3,463.82	1,024.79	788.81	515.21
Total Fugitive Emission		3,463.82	1,024.79	788.81	515.21
Mobile Combustion					
Diesel - Heavy good vehicle	tCO_2e	117.30	87.86	87.25	112.55
Diesel - Light good vehicle		266.48	348.08	395.77	403.08
Diesel - Car		148.16	87.88	50.97	37.04
Petrol - Light good vehicle		8.08	8.63	9.63	75.90
Petrol - Car		141.13	120.36	117.50	295.38
Petrol - Motorcyle		1,481.34	1,074.83	1,015.55	1,060.67
Total Mobile Combustion		2,162.48	1,727.65	1,676.66	1,984.63
Sub-total Scope 1		**9,257.95**	**6,246.25**	**6,442.14**	**6,044.78**
SCOPE 2					
Purchased electricity	tCO_2e	28,245.64	27,259.79	25,242.26	25,051.73
Sub-total Scope 2		**28,245.64**	**27,259.79**	**25,242.26**	**25,051.73**
Overall GHG emissions (Scope 1 & 2)		**37,503.58**	**33,506.05**	**31,684.39**	**31,096.51**
II. GHG EMISSIONS AVOIDANCE					
SCOPE 2					
Renewable energy - Solar	tCO_2e	100.29	148.99	137.32	137.10
Overall GHG emissions avoidance		**100.29**	**148.99**	**137.32**	**137.10**
III. GHG EMISSIONS INTENSITY					
Intensity	tCO_2e/RM million	13.30	12.30	6.58	8.84
Overall GHG Emissions Intensity		**13.30**	**12.30**	**6.58**	**8.84**

ENVIRONMENTAL					
Indicator	**Unit of Measurement**	**2019**	**2020**	**2021**	**2022**
ENERGY					
I. ENERGY SOURCE					
Company facilities					
Diesel	GJ	5,931.32	5,458.99	4,672.18	5,119.26
Petrol		-	-	-	23.47
Natural Gas		61,353.19	59,475.16	69,970.54	60,916.25
Liquefied petroleum gas (LPG)		295.55	216.62	227.02	227.02
Total energy for company facilities		**67,580.05**	**65,150.77**	**74,869.73**	**66,286.01**
Company vehicle					
Diesel	GJ	7,102.05	6,993.78	7,129.33	7,378.85
Petrol		22,726.62	16,783.06	15,931.62	20,011.23
Total energy for company vehicles		**29,828.67**	**23,776.85**	**23,060.95**	**27,390.08**
Renewable energy					
Solar energy	GJ	561.42	834.03	768.68	767.48
Total renewable energy		**561.42**	**834.03**	**768.68**	**767.48**
Purchased Energy					
Electricity	GJ	152,389.25	146,578.41	135,656.12	134,566.87
Total purchased energy		**152,389.25**	**146,578.41**	**135,656.12**	**134,566.87**
Total Energy		**250,359.39**	**236,340.06**	**234,355.48**	**229,010.43**
II. ENERGY INTENSITY					
Intensity	GJ/ RM million	88.76	86.73	48.67	65.23
Total energy intensity		**88.76**	**86.73**	**48.67**	**65.23**

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL					
Indicator	**Unit of Measurement**	**2019**	**2020**	**2021**	**2022**
WATER					
I. WATER WITHDRAWAL					
Water withdrawal by source					
Ground water	megalitres	16.95	19.78	25.01	21.38
Purchased water		316.99	425.64	398.74	354.07
Total water withdrawal by source		**333.94**	**445.42**	**423.75**	**375.46**
Water withdrawal by country					
Malaysia	megalitres	306.91	303.20	265.16	259.35
Indonesia		27.03	142.22	158.58	116.10
Total water withdrawal by country		**333.14**	**445.42**	**423.75**	**375.46**
Total water withdrawal		**333.94**	**445.42**	**423.75**	**375.46**
II. WATER RECYCLING					
Water recycled from process	megalitres	-	12.00	4.13	11.06
Total water recycled		**-**	**12.00**	**4.13**	**11.06**
III. RAINWATER HARVESTING					
Rainwater harvested	megalitres	0.00	-	0.14	0.15
Total rainwater harvested		**0.00**	**-**	**0.14**	**0.15**
IV. WATER WITHDRAWAL INTENSITY					
Intensity	megalitres/RM million	0.12	0.16	0.09	0.11
Total water withdrawal intensity		**0.12**	**0.16**	**0.09**	**0.11**
MATERIAL					
Recycled input material as packaging material	tonnes	220.18	245.18	215.39	222.36
Total recycled input material		**220.18**	**245.18**	**215.39**	**222.36**
WASTE					
I. DIRECTED TO DISPOSAL					
Hazardous waste					
Malaysia	tonnes	320.54	318.85	138.19	293.19
Indonesia		10.77	12.35	12.51	7.01
Total hazardous waste directed to disposal		**331.31**	**331.20**	**150.70**	**300.20**
II. DIVERTED FROM DISPOSAL					
Recycling of non-hazardous waste					
Malaysia	tonnes	225.99	130.94	347.30	705.73
Indonesia		0.17	17.72	51.33	31.99
Total recycling of non-hazardous waste		**226.16**	**148.66**	**398.63**	**737.22**
Reuse of non-hazardous waste		-	-	-	750.39
Total non-hazardous waste diverted from disposal		**226.16**	**148.66**	**398.63**	**1,488.11**

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
EMPLOYEE DISTRIBUTION								
i. Employee distribution by gender								
Male	2,166	60.0	2,306	64.0	2,218	60.0	2,284	60.5
Female	1,441	40.0	1,297	36.0	1,424	40.0	1,494	39.5
Total	**3,607**	**100**	**3,603**	**100**	**3,642**	**100**	**3,778**	**100**
ii. Employee distribution by age								
Under 30 years old	948	26.3	1,077	29.9	1,030	28.3	1,062	28.1
30-50 years old	2,229	61.8	2,150	59.7	2,236	61.4	2,397	63.4
More than 50 years old	430	11.9	376	10.4	376	10.3	319	8.4
Total	**3,607**	**100**	**3,603**	**100**	**3,642**	**100**	**3,778**	**100**
iii. Employee distribution by category								
Senior Management	64	1.8	66	1.8	80	2.2	195	5.2
Middle Management	152	4.2	158	4.4	157	4.3	221	5.8
Executive	797	22.1	813	22.6	883	24.2	757	20.0
Non-Executive	2,594	71.9	2,566	71.2	2,522	69.2	2,605	69.0
Total	**3,607**	**100**	**3,603**	**100**	**3,642**	**99.9**	**3,778**	**100**
iv. Employee distribution by nationality								
Local	3,595	99.7	3,592	99.7	3,629	99.6	3,767	99.7
Non-local	12	0.3	11	0.3	13	0.4	11	0.3
Total	**3,607**	**100**	**3,603**	**100**	**3,642**	**100**	**3,778**	**100**
v. Employee distribution by country								
Malaysia	2,142	59.4	2,131	59.1	2,185	60.0	2,301	60.9
Indonesia	1,465	40.6	1,472	40.9	1,457	40.0	1,477	39.1
Total	**3,607**	**100**	**3,603**	**100**	**3,642**	**100**	**3,778**	**100**
vi. Union members								
Number of Union members	230	6.4	243	6.7	252	6.9	228	6.0
Total of Union members	**230**	**6.4**	**243**	**6.7**	**252**	**6.9**	**228**	**6.0**

SUSTAINABILITY DATA PERFORMANCE

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
NEW HIRES								
i. New hires by gender								
Male	305	56.2	232	62.0	351	65.5	451	59.7
Female	238	43.8	142	38.0	185	34.5	304	40.3
Total	**543**	**100**	**374**	**100**	**536**	**100**	**755**	**100**
ii. New hires by age								
Under 30 years old	397	73.1	261	69.8	345	64.4	494	65.4
30-50 years old	140	25.8	109	29.1	184	34.3	232	30.7
More than 50 years old	6	1.1	4	1.1	7	1.3	29	3.8
Total	**543**	**100**	**374**	**100**	**536**	**100**	**755**	**100**
iii. New hires by country								
Malaysia	245	45.1	153	40.9	274	51.1	405	53.6
Indonesia	298	54.9	221	59.1	262	48.9	350	46.4
Total	**543**	**100**	**374**	**100**	**536**	**100**	**755**	**100**
EMPLOYEE TURNOVER								
i. Turnover by gender								
Male	277	65.2	223	60.3	313	62.7	337	60.6
Female	148	34.8	147	39.7	186	37.3	219	39.4
Total	**425**	**100**	**370**	**100**	**499**	**100**	**556**	**100**
ii. Turnover by age								
Under 30 years old	322	75.8	193	52.2	213	42.7	252	45.3
30-50 years old	80	18.8	135	36.5	220	44.1	197	35.4
More than 50 years old	23	5.4	42	11.4	66	13.2	107	19.2
Total	**425**	**100**	**370**	**100**	**499**	**100**	**556**	**100**
iii. Turnover by country								
Malaysia	195	45.9	164	44.3	223	44.7	270	48.6
Indonesia	230	54.1	206	55.7	276	55.3	286	51.4
Total	**425**	**100**	**370**	**100**	**499**	**100**	**556**	**100**
iv. Attrition rate								
Malaysia	-	9	-	8	-	10	-	12
Indonesia	-	16	-	14	-	19	-	19

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
TRAINING AND DEVELOPMENT								
i. Training hours								
Total	**62,094**	**-**	**59,252**	**-**	**93,666**	**-**	**120,351**	**-**
Average training hours by gender								
Male	15	-	14	-	19	-	25	-
Female	21	-	24	-	36	-	43	-
Total	**36**	**0**	**38**	**0**	**55**	**0**	**68**	**0**
Average training hours by category								
Senior Management	41	-	31	-	39	-	13	-
Middle Management	61	-	42	-	36	-	25	-
Executive	60	-	46	-	37	-	61	-
Non-Executive	26	-	31	-	21	-	26	-
Total	**188**	**0**	**150**	**0**	**133**	**0**	**125**	**0**
ii. Training expenditures (RM)								
External Training								
Technical/Functional/IT Training	-	-	243,459.53	61.3	771,769.29	91.2	1,216,868.29	91.8
Soft Skills Training	-	-	153,399.06	38.7	74,832.22	8.8	108,388.59	8.2
Total	**0**	**0**	**396,858.59**	**100**	**846,601.52**	**100**	**1,325,256.88**	**100**
In-house Training								
Technical/Functional/IT Training	-	-	103,056	65.7	257,536	34.7	368,900.86	40.4
Soft Skills Training	-	-	53,701	34.3	485,578	65.3	545,076.07	59.6
Total	**0**	**0**	**156,756.84**	**100**	**743,113.63**	**100**	**913,976.93**	**100**
Amount spent by category								
Senior Management	-	-	46,251.14	8.4	238,733.37	15.0	216,979.30	9.7
Middle Management	-	-	58,678.46	10.6	219,487.24	13.8	308,319.35	13.8
Executive	-	-	349,437.56	63.1	869,659.93	54.7	1,126,244.97	50.3
Non-Executive	-	-	99,248.04	17.9	261,834.46	16.5	587,691.82	26.2
Total	**0**	**0**	**553,615.21**	**100**	**1,589,715.00**	**100**	**2,239,235.43**	**100**
BOARD DIVERSITY								
i. Board diversity by gender								
Male Directors	4	66.7	8	100	8	88.9	9	81.8
Female Directors	2	33.3	0	0	1	11.1	2	18.2
Total	**6**	**100**	**8**	**100**	**9**	**100**	**11**	**100**
i. Board diversity by age								
40-50 years old	1	16.7	3	37.5	4	44.4	3	27.3
More than 50 years old	5	83.3	5	62.5	5	55.6	8	72.7
Total	**6**	**100**	**8**	**100**	**9**	**100**	**11**	**100**

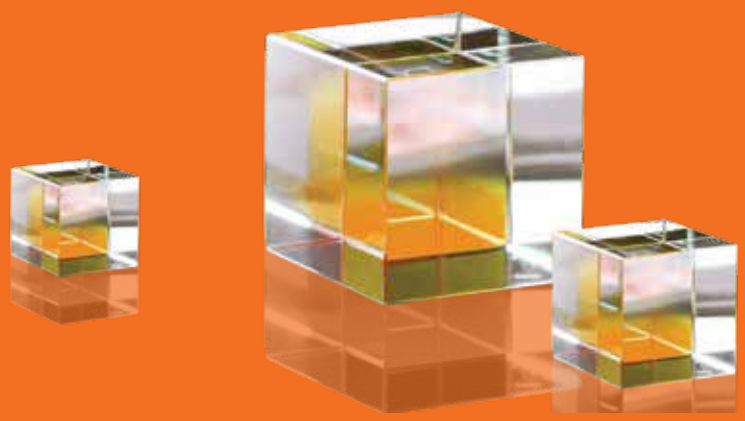
SUSTAINABILITY DATA PERFORMANCE

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
GRADUATE EMPLOYMENT OPPORTUNITIES								
PROTEGE	65	23.0	42	25.3	29	34.5	79	40.3
Provisionally Registered Pharmacist	2	0.7	2	1.2	4	4.8	6	3.1
Pharmaniaga Internship	216	76.3	122	73.5	51	60.7	111	56.6
Total	**283**	**100**	**166**	**100**	**84**	**100**	**196**	**100**
PERFORMANCE REVIEW								
Completion of Performance Review - Gender								
Male	-	100	-	100	-	100	-	100
Female	-	100	-	100	-	100	-	100
HEALTH AND SAFETY								
Occupational Health and Safety Performance								
Hours worked	4,130,514	-	4,225,333	-	43,008,833	-	4,376,547	-
Fatality rate	0	-	0	-	0	-	0	-
Accident rate	3.29	-	5.21	-	5.5	-	6.24	-
Frequency rate	1.69	-	2.6	-	2.78	-	3.2	-
Lost time injury frequency rate	1.45	-	2.13	-	2.09	-	2.97	-
SUPPORTING LOCAL BUSINESS								
Procurement budget spent on local suppliers								
Budget spent on local suppliers	-	84	-	82	-	43		70
Vendor Development Programme								
Number of vendors	-	-	24	-	24	-	23	-
RoyalePharma Alliances								
Number of Alliances	310	-	319	-	347	-	363	-

GOVERNANCE/ ECONOMIC					
Indicator	**Unit of Measurement**	**2019**	**2020**	**2021**	**2022**
Economic Value					
Revenue	RM Million	2,800.0	2,725.0	4,815.0	3,510.7
Profit/Loss	RM Million	(149.2)	27.5	172.1	(605.1)
Investment in Community	RM Million	3.4	8.8	30.7	3.1
Customer Satisfaction					
Ministry of Health (MOH)	Percentage	94	97	98	98
Ministry of Higher Education (MOHE)	Percentage	92	96	96	100
Private sector	Percentage	92	94	94	N/A
Compliance to Concession Agreement					
Overall performance to concession agreement	Percentage	99.6	99.6	99.3	98.7
Integrity and Anti-Corruption					
Operations assessed for corruption risks	Percentage	9	9	18	45

FINANCIAL STATEMENTS

Directors' Report	187
Statement by Directors	196
Statutory Declaration	196
Independent Auditors' Report	197
Statements of Profit or Loss	206
Statements of Comprehensive Income	207
Statements of Financial Position	208
Statements of Changes in Equity	210
Statements of Cash Flows	213
Notes to the Financial Statements	215



SECTION 08

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's other principal activities include the provision of management services to its subsidiaries. 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 (loss)/profit for the financial year	(605,050)	4,359
Attributable to:		
Owners of the parent	(607,317)	4,359
Non-controlling interests	2,267	-
	(605,050)	4,359

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 2022:

	Dividend		
	Sen per share	RM'000	Payment Date
First interim single tier dividend	0.8	10,480	6 July 2022
Second interim single tier dividend	0.5	6,550	4 October 2022
Third interim single tier dividend	0.6	7,859	6 January 2023
	1.9	24,889	

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2022.

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 RM154,051,000 to RM154,189,000 by way of issuance of 250,000 ordinary shares pursuant to the Long Term Incentive Plan at no consideration.

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

SHARE SCHEME

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

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.

SHARE SCHEME (CONTINUED)

Amendments to the Share Scheme (continued)

The Proposed By-Laws Amendment has been approved by the shareholders of the Company at the EGM on 16 June 2021.

Particulars of the outstanding options granted under the Option Plan and the shares granted under LTIP

As at 31 December 2022, 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 1.1.2022**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2022**
20 August 2021	RM0.843	39,357,000	-	-	(3,038,350)	36,318,650

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 1.1.2022	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2022**
Mohamed Iqbal Abdul Rahman	93,550	-	-	-	93,550
Norai'ni Mohamed Ali	82,550	-	-	-	82,550
Abdul Malik Mohamed	82,550	-	-	-	82,550
Zulhazri Razali	82,550	-	-	-	82,550
Wan Intan Idura Wan Ismail	82,550	-	-	-	82,550
Dr. Badarulhisam Abdul Rahman	56,700	-	-	-	56,700
Mohd Saharuddin Othman	56,700	-	-	-	56,700

Long Term Incentive Plan ("LTIP")

As at 31 December 2022, particulars of the shares granted under the LTIP were as follows:

	Number of ordinary shares				
Date of grant	**At 1.1.2022**	**Granted**	**Vested**	**Lapsed**	**At 31.12.2022**
7 December 2022	-	250,000	-	-	250,000

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:

Izaddeen Daud	
YB Senator Datuk Dr. Azhar Ahmad	
Dr. Abdul Razak Ahmad	
Sarah Azreen Abdul Samat	
Dr. Mary Jane Cardosa	(Appointed on 20 July 2022)
Datuk Lim Thean Shiang	(Appointed on 20 July 2022)
Ahmad Shahredzuan Mohd Shariff	(Appointed on 22 February 2023)
Dato' Sri Mohammed Shazalli Ramly	(Resigned on 30 November 2022)
Datuk Seri Zainal Abidin Mohd Rafique	(Appointed on 1 February 2022 and resigned on 31 January 2023)
Dato' Dr. Najmil Faiz Mohamed Aris	(Resigned on 31 January 2023)
Datuk Zulkarnain Md Eusope	(Resigned on 22 February 2023, redesignated ` as Chief Executive Officer and resigned as Chief Executive Officer on 14 March 2023)
Zulkifli Jafar	(Resigned on 22 February 2023 and redesignated as Deputy Chief Executive Officer)

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:

Zulkifli Jafar	
Mohamed Iqbal Abdul Rahman	
Norai'ni Mohamed Ali	
Abdul Malik Mohamed	
Zulhazri Razali	
Mohd Saharuddin Othman	
Dr. Badarulhisam Abdul Rahman	
Yusni Rizal Khairul Anuar	
Muhammad Fauzi Abdul Hamid	
Mohd Izwan Ishak	
Joefly Joesoef Bahroeny	
Professor Dr. Aman Bhakti Pulungan	(Appointed on 19 September 2022)
Iman Fathorrahman	(Appointed on 19 September 2022)
Datin Shamsinar Haji Shaari	(Resigned on 30 September 2022)
Yang Fairuz Abdul Aziz	(Resigned on 15 December 2022)
Shahanaz Sulaiman	(Resigned on 30 December 2022)
Suzana Yahya	(Resigned on 20 October 2022)
Paulino Taylor	(Resigned on 12 September 2022)
Muhammad Rusidi	(Resigned on 13 September 2022)
Datuk Zulkarnain Md Eusope	(Resigned on 14 March 2023)

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' REMUNERATION

The aggregate amounts of emoluments received by Directors of the Group and of the Company during the financial year were as follows:

	Group RM'000	**Company** RM'000
Non-executive Directors fees	1,032	896
Non-executive Directors' other allowances and emoluments	211	152
Executive Directors' remuneration:		
- Salaries and bonuses	2,830	2,830
- Fees	20	20
- Defined contribution plan	443	443
- Share-based expenses:		
• Option Plan	96	96
• Long Term Incentive Plan	138	138
- Other short-term employee benefits	121	119

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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 RM65,000.

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	
Sarah Azreen Abdul Samat	
Datuk Lim Thean Shiang	(Appointed on 4 August 2022)
Ahmad Shahredzuan Mohd Shariff	(Appointed on 22 February 2023)
Dato' Najmil Faiz Mohamed Aris	(Appointed on 4 August 2022 and resigned on 31 January 2023)
Izaddeen Daud	(Resigned on 4 August 2022)
Zulkifli Jafar	(Resigned on 1 March 2022)

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2022 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 followings:

The number of options granted to a Director pursuant to the Company's Option Plan was set out below:

	Number of options over ordinary shares			
	At 1.1.2022	Granted	Exercised	At 31.12.2022
Datuk Zulkarnain Md Eusope	1,650,000	-	-	1,650,000

The shares granted to a Director pursuant to the Company's Long Term Incentive Plan was set out below:

	Number of ordinary shares			
	At 1.1.2022	Granted	Vested	At 31.12.2022
Datuk Zulkarnain Md Eusope	-	250,000	-	250,000

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.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

CONTINGENT AND OTHER LIABILITIES

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

CHANGING CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, except for the provision for slow moving inventories on Covid-19 vaccines of RM552,306,000, the impairment loss on goodwill of the Indonesia manufacturing cash-generating unit of RM50,274,000 and the Group had triggered the prescribed criteria under Paragraph 2.1(a) of Practice Note 17 ("PN17") of the main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

(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.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

SUBSEQUENT EVENTS

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

HOLDING CORPORATIONS

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year ended 31 December 2022 for the Group and the Company is as follows:

	Group RM'000	**Company** RM'000
Auditors' remuneration		
(i) statutory audit fees:		
- PricewaterhouseCoopers PLT, Malaysia	628	177
- firms other than member firms of PricewaterhouseCoopers International Limited	210	-
(ii) other non-audit fees	70	51

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 28 April 2023. Signed on behalf of the Board of Directors:

IZADDEEN DAUD
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

AHMAD SHAHREDZUAN MOHD SHARIFF
NON-INDEPENDENT NON-EXECUTIVE
DIRECTOR

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Izaddeen Daud and Ahmad Shahredzuan Mohd Shariff, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 206 to 316 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 2022 and financial performance of the Group and of the Company for the financial year ended on 31 December 2022 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 28 April 2023.

IZADDEEN DAUD
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

AHMAD SHAHREDZUAN MOHD SHARIFF
NON-INDEPENDENT NON-EXECUTIVE
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 206 to 316 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 28 April 2023 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 2022, 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 2022 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 206 to 316.

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.

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)

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of RM605.1 million for the financial year ended 31 December 2022. As of that date, the Group's and the Company's current liabilities exceeded its current assets by RM632.1 million and RM411.2 million, respectively, and the Group recorded a capital deficiency of RM227.4 million as at 31 December 2022. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 of Covid-19 vaccines inventory *Refer to Note 3 - Critical Accounting Estimates and Judgments and Note 16 - Inventories* Management performed recoverability assessments on its slow-moving Covid-19 vaccines inventory, taking into consideration the prevailing market conditions globally and potential demand. As a result, the impairment of slow moving and obsolete inventories totalling RM552.3 million were recognised by the Group during the financial year ended 31 December 2022. We focused on this area as the impairment of slow moving and obsolete inventories for Covid-19 vaccines inventory is material and its recoverability assessment involves significant judgement and estimates in determining the net realisable value.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Obtained an understanding of the Group's process of determining the net realisable value of Covid-19 vaccines; • Discussed with management on the basis applied to realise the Covid-19 vaccines inventory balance, considering the significant judgement involved and the assumptions used in determining the impairment of slow moving and obsolete inventories; • Reviewed subsequent events for changes in the demand for Covid-19 vaccines and its impact on the net realisable value; and • Assessed the adequacy of the disclosures in the financial statements. Based on the procedures performed above, we did not find any material exceptions to the Director's assessment on the impairment of Covid-19 vaccines during the financial year.
Recoverability of goodwill carrying value *Refer to Note 3 - Critical Accounting Estimates and Judgments and Note 15 - Intangible Assets* As at 31 December 2022, the Group's carrying amounts of goodwill amounted to RM77.3 million. During the financial year, the Group recognised an impairment loss of RM50.3 million on the goodwill allocated to the Manufacturing cash-generating units ("CGU") in Indonesia.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Discussed and assessed the key assumptions used by management in the cash flow projections by comparing the sales growth rate, product margins and terminal growth rates to historical results and industry data, where appropriate; • Reviewed the probability-weighted approaches model of discounted cash flow projections prepared by management for the impairment assessments of the CGUs;

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
Goodwill is subject to annual impairment testing. We focused on the recoverable amounts of the goodwill, which is determined based on a probability-weighted approach to determine the expected cash flows that require judgement on the part of management's estimation of future financial performance and key assumptions used, in particular, the sales growth rate, product margins, terminal growth rates, and discount rates.	• Assessed the reliability of approved budget by comparing their previous years' approved budget against past trends of actual results; • Discussed with management, legal representatives, and government officials the process of finalising the new concession, including any key terms and conditions, timelines, and potential risks or uncertainties that may affect the achievement of the expected benefits, where applicable; • Involved our valuation expert to assess the discount rates and certain impairment models used in determining the recoverable amounts of the CGUs; and • Checked the appropriateness of sensitivity analysis performed by management, including disclosures, on reasonable possible changes in key assumptions and the corresponding effect on the recoverable amounts. Based on the procedures performed above, we did not find any material exceptions to Directors' assessment on the recoverability of goodwill as at 31 December 2022.
Recoverability of property, plant and equipment carrying value of the Group's small volume injectable plant *Refer to Note 3 - Critical Accounting Estimates and Judgments and Note 12 - Property, Plant and Equipment* The carrying values of property, plant and equipment ("PPE") of the Group's small volume injectable plant as at 31 December 2022 is RM78.8 million.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Discussed and assessed the key assumptions used by management in the cash flow projections by comparing the sales growth rate, product margins and terminal growth rates to historical results and industry data, where appropriate; • Reviewed the probability-weighted approaches model of discounted cash flow projections prepared by management for the impairment assessments of the small volume injectable plant;

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
An impairment assessment was performed by management for the Group's small volume injectable plant as it has not been utilised to its optimum production capacity as most of the products are still in the development stage. The recoverable amount of the small volume injectable plant is determined using a probability-weighted approach to determine the expected cash flows. No impairment was required as the recoverable amount of the small volume injectable plant was in excess of the carrying amount of the assets. 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 growth rate, product margins, terminal growth rate and discount rates.	• Evaluated the methodology and reasonableness of the key assumptions used in determining the terminal value; • Assessed the reliability of approved budget by comparing their previous years' approved budget against past trends of actual results; • Involved our valuation expert to assess the discount rate and certain impairment models used in determining the recoverable amounts of the small volume injectable plant; and • Checked the appropriateness of sensitivity analysis performed by management, including disclosures, on reasonable possible changes in key assumptions and the corresponding effect on the recoverable amounts. Based on the procedures performed above, we did not find any material exceptions to Directors' assessment on the recoverability of property, plant and equipment of the Group's small volume injectable plant as at 31 December 2022.
Recoverability of investment in subsidiaries carrying value *Refer to Note 3 - Critical Accounting Estimates and Judgments and Note 14 - Investment in Subsidiaries* Management performed impairment assessments of its investments in subsidiaries, which had impairment indicators. As a result, an impairment loss of RM19.0 million had been made in respect of the Company's investment in its subsidiaries as stated in Note 14 to the financial statements.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Discussed and assessed the key assumptions used by management in the cash flow projections by comparing the sales growth rate, product margins and terminal growth rates to historical results and industry data, where appropriate; • Reviewed the probability-weighted approaches model of discounted cash flow projections prepared by management for the impairment assessments of the investment in subsidiaries;

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
We focused on the recoverability of the carrying value of the investments in subsidiaries, determined using a probability-weighted approach to determine the expected cash flows, which require judgement on the part of management estimation of the future financial performance and key assumptions used, in particular, the sales growth rate, product margins, terminal growth rates and discount rates.	• Assessed the reliability of approved budget by comparing their previous years' approved budget against past trends of actual results; • Discussed with management, legal representatives, and government officials the process of finalising the new concession, including any key terms and conditions, timelines, and potential risks or uncertainties that may affect the achievement of the expected benefits, where applicable; • Involved our valuation expert to assess the discount rates and certain impairment models used in determining the recoverable amounts of the investment in subsidiaries; and • Checked the appropriateness of sensitivity analysis performed by management, including disclosures, on reasonable possible changes in key assumptions and the corresponding effect on the recoverable amounts. Based on the procedures performed above, we did not find any material exceptions to Directors' assessment on the recoverability of investment in subsidiaries as at 31 December 2022.

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)

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 Internal Control and Directors' Report, Chairman's Statement, Managing Director's Report Review, Operation Review, Corporate Governance Overview Statement, Audit Committee Report and other sections of the 2022 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 and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Pharmaniaga Berhad (Incorporated In Malaysia)
Registration No. 199801011581 (467709-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Pharmaniaga Berhad (Incorporated In Malaysia)
Registration No. 199801011581 (467709-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

REPORT ON OTHER LEGAL 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

DATO' MOHAMMAD FAIZ BIN MOHAMMAD AZMI
02025/03/2024 J
Chartered Accountant

Kuala Lumpur
28 April 2023

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	4	**3,510,677**	4,815,015	**50,302**	49,153
Cost of sales*	5	**(3,690,523)**	(4,185,000)	**-**	-
Gross (loss)/profit		**(179,846)**	630,015	**50,302**	49,153
Other income	7(b)	**3,118**	1,503	**41**	7
Administrative expenses		**(314,716)**	(322,642)	**(25,244)**	(47,672)
Impairment of intangible assets		**(50,274)**	-	**-**	-
Impairment of amount due from subsidiaries		**-**	-	**(14,171)**	-
Impairment of investment in a subsidiary		**-**	-	**(19,000)**	-
Finance costs	6	**(40,038)**	(33,324)	**(18,353)**	(7,267)
Interest income		**910**	1,523	**20,081**	7,173
(Loss)/Profit before zakat and taxation	7(a)	**(580,846)**	277,075	**(6,344)**	1,394
Zakat		**(209)**	(24,073)	**-**	-
Taxation	9	**(23,995)**	(80,797)	**10,703**	-
Net (loss)/profit for the financial year		**(605,050)**	172,205	**4,359**	1,394
Attributable to:					
Owners of the parent		**(607,317)**	172,150	**4,359**	1,394
Non-controlling interests		**2,267**	55	**-**	-
Net (loss)/profit for the financial year		**(605,050)**	172,205	**4,359**	1,394
(Loss)/Earnings per share (sen):					
- Basic	10(a)	**(46.36)**	13.15		
- Diluted	10(b)	**(46.36)**	13.15		

* Included in the cost of sale of the Group is the provision for slow moving inventories of Covid-19 vaccines of RM552,306,000 (2021: nil)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net (loss)/profit for the financial year		**(605,050)**	172,205	**4,359**	1,394
Other comprehensive (loss)/income, net of tax:					
Items that will be subsequently reclassified to profit or loss					
Foreign currency translation (losses)/gains for foreign operations		**(3,951)**	865	**-**	-
Items that will not be reclassified to profit or loss					
Recognition of actuarial losses	30	**(402)**	(339)	**-**	-
Other comprehensive (loss)/income, net of tax for the financial year		**(4,353)**	526	**-**	-
Total comprehensive (loss)/income, net of tax for the financial year		**(609,403)**	172,731	**4,359**	1,394
Attributable to:					
Owners of the parent		**(610,909)**	172,465	**4,359**	1,394
Non-controlling interests		**1,506**	266	**-**	-
		(609,403)	172,731	**4,359**	1,394

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS					
Non-current assets					
Property, plant and equipment	12	**404,188**	364,617	**-**	-
Right-of-use assets	13(a)	**38,846**	30,973	**-**	-
Subsidiaries	14	**-**	-	**576,220**	593,438
Intangible assets	15	**160,561**	208,013	**-**	-
Other receivables	18	**-**	-	**-**	-
Amounts due from subsidiaries	19(a)	**-**	-	**220,617**	148,560
Deferred tax assets	29	**27,047**	33,066	**10,703**	-
		630,642	636,669	**807,540**	741,998
Current assets					
Inventories	16	**767,263**	1,264,369	**-**	-
Amounts due from related companies	21	**13**	31	**-**	-
Trade receivables	17	**261,751**	227,849	**-**	-
Other receivables	18	**89,900**	69,873	**370**	171
Amounts due from subsidiaries	19(a)	**-**	-	**66,336**	94,746
Tax recoverable		**16,343**	6,713	**-**	-
Deposits, cash and bank balances	20	**52,849**	52,359	**5,020**	1,291
		1,188,119	1,621,194	**71,726**	96,208
TOTAL ASSETS		**1,818,761**	2,257,863	**879,266**	838,206

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**154,189**	154,051	**154,189**	154,051
Exchange reserve		**(2,281)**	1,016	**-**	-
Share reserves	28	**3,624**	1,670	**3,624**	1,670
(Accumulated losses)/ Retained earnings		**(404,274)**	293,725	**140,487**	226,515
		(248,742)	450,462	**298,300**	382,236
Non-controlling interests		**21,386**	19,979	**-**	-
(Capital deficiency)/ Total equity		**(227,356)**	470,441	**298,300**	382,236
Non-current liabilities					
Government grants	25	**3,358**	3,617	**-**	-
Borrowings	26	**190,627**	285,170	**98,000**	116,000
Lease liabilities	13(b)	**4,038**	441	**-**	-
Deferred tax liabilities	29	**18,815**	21,352	**-**	-
Provision for defined benefit plan	30	**9,051**	9,079	**-**	-
		225,889	319,659	**98,000**	116,000
Current liabilities					
Amounts due to subsidiaries	19(b)	**-**	-	**385,788**	303,413
Amounts due to related companies	21	**7,671**	4,890	**40**	44
Trade payables	22	**648,019**	677,633	**-**	-
Other payables	23	**147,014**	175,885	**5,897**	18,417
Amount due to immediate holding company	24	**688**	1,208	**382**	1,096
Contract liabilities	31(a)	**31,017**	22,128	**-**	-
Government grants	25	**260**	332	**-**	-
Borrowings	26	**968,272**	570,056	**83,000**	17,000
Lease liabilities	13(b)	**5,155**	1,193	**-**	-
Current tax liabilities		**4,273**	14,438	**-**	-
Dividend payable		**7,859**	-	**7,859**	-
		1,820,228	1,467,763	**482,966**	339,970
Total liabilities		**2,046,117**	1,787,422	**580,966**	455,970
TOTAL EQUITY AND LIABILITIES		**1,818,761**	2,257,863	**879,266**	838,206

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Exchange reserve RM'000	Share reserve RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2022		**154,051**	**1,016**	**1,670**	**293,725**	**450,462**	**19,979**	**470,441**
Net (loss)/profit for the financial year		**-**	**-**	**-**	**(607,317)**	**(607,317)**	**2,267**	**(605,050)**
Other comprehensive loss		**-**	**(3,297)**	**-**	**(295)**	**(3,592)**	**(761)**	**(4,353)**
Total comprehensive (loss)/ income for the financial year		**-**	**(3,297)**	**-**	**(607,612)**	**(610,909)**	**1,506**	**(609,403)**
Transactions with owners:								
Issuance of new shares:								
- Long Term Incentive Plan	27	**138**	**-**	**(138)**	**-**	**-**	**-**	**-**
Share options granted under Option Plan		**-**	**-**	**1,954**	**-**	**1,954**	**-**	**1,954**
Shares granted under Long Term Incentive Plan		**-**	**-**	**138**	**-**	**138**	**-**	**138**
Dividends:								
- owners of the Company	11	**-**	**-**	**-**	**(90,387)**	**(90,387)**	**-**	**(90,387)**
- non-controlling interests of a subsidiary		**-**	**-**	**-**	**-**	**-**	**(99)**	**(99)**
Total transactions with owners for the financial year		**138**	**-**	**1,954**	**(90,387)**	**(88,295)**	**(99)**	**(88,394)**
At 31 December 2022		**154,189**	**(2,281)**	**3,624**	**(404,274)**	**(248,742)**	**21,386**	**(227,356)**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Exchange reserve RM'000	Share reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
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	27	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 YEAR ENDED 31 DECEMBER 2022

	Note	Non-distributable Share capital RM'000	Non-distributable Share reserves RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2022		**154,051**	**1,670**	**226,515**	**382,236**
Total comprehensive income for the financial year		**-**	**-**	**4,359**	**4,359**
Transactions with owners:					
Issuance of new shares:					
- Long Term Incentive Plan	27	**138**	**(138)**	**-**	**-**
Share options granted under Option Plan		**-**	**1,954**	**-**	**1,954**
Shares granted under Long Term Incentive Plan		**-**	**138**	**-**	**138**
Dividends	11	**-**	**-**	**(90,387)**	**(90,387)**
Total transactions with owners for the financial year		**138**	**1,954**	**(90,387)**	**(88,295)**
At 31 December 2022		**154,189**	**3,624**	**140,487**	**298,300**
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	27	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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**3,546,258**	5,039,553	**-**	-
Cash payments to suppliers and employees		**(3,608,486)**	(5,008,730)	**(35,646)**	(16,359)
Cash (used in)/generated from operations		**(62,228)**	30,823	**(35,646)**	(16,359)
Interest paid		**(41,287)**	(32,631)	**(10,069)**	-
Net tax paid		**(39,522)**	(39,698)	**-**	-
Zakat paid		**(209)**	(24,073)	**-**	-
Interest received		**910**	1,523	**-**	2
Net cash used in operating activities		**(142,336)**	(64,056)	**(45,715)**	(16,357)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		**55**	212	**-**	-
Purchase of property, plant and equipment	12	**(59,261)**	(30,387)	**-**	-
Purchase of intangible assets	15	**(18,376)**	(14,969)	**-**	-
Gross advances to subsidiaries		**-**	-	**(35,845)**	(113,168)
Gross repayments from subsidiaries		**-**	-	**42**	12,545
Decrease/(Increase) in investment in deposits maturing more than three (3) months		**5,247**	(413)	**-**	-
Net cash used in investing activities		**(72,335)**	(45,557)	**(35,803)**	(100,623)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- owners of the Company		**(82,528)**	(58,945)	**(82,528)**	(58,945)
- non-controlling interests of a subsidiary		**(99)**	(44)	**-**	-
Drawdown of borrowings		**2,291,087**	2,329,136	**75,000**	270,000
Interest paid		**-**	-	**-**	(7,267)
Repayment of borrowings		**(1,980,109)**	(2,146,529)	**(27,000)**	(267,000)
Repayment of hire purchase liabilities		**(531)**	(468)	**-**	-
Gross advances received from subsidiaries		**-**	-	**181,657**	482,783
Gross repayments to subsidiaries		**-**	-	**(61,882)**	(301,707)
Payment of lease liabilities	13(b)	**(7,026)**	(2,412)	**-**	-
Net cash generated from financing activities		**220,794**	120,738	**85,247**	117,864
NET CHANGES IN CASH AND CASH EQUIVALENTS		**6,123**	11,125	**3,729**	884
Foreign exchange differences		**(386)**	125	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**47,112**	35,862	**1,291**	407
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	20	**52,849**	47,112	**5,020**	1,291

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1 GENERAL INFORMATION

The Company is an investment holding company. The Company's other principal activities include the provision of management services to its subsidiaries. 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:

Level 23, The Bousteador,
No.10, Jalan PJU 7/6,
Mutiara Damansara,
47800 Petaling Jaya.

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.

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.

Practice Note 17 ("PN17") status

On 27 February 2023, the Directors of the Company announced that the Group had triggered the prescribed criteria under Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), as the shareholders' equity of the Group is less than RM40.0 million and is 25% or less of its issued and paid-up capital as at 31 December 2022.

The Group is required to submit a regularisation plan to Bursa Securities within a period of twelve months from the date of the first announcement on 27 February 2023. The Company is in the midst of preparing and in the process of finalising its regularisation plan ("Regularisation Plan") to address the financial condition of the Group for submission to Bursa Securities for approval.

On 28 March 2023, the Group appointed MIDF Amanah Investment Bank Bhd ("MIDF Amanah IB") as the Principal Adviser for the proposed Regularisation Plan to regularise the Group 's financial condition and level of operations.

Cash flows of the Group and of the Company

During the financial year ended 31 December 2022, the Group incurred a net loss of RM605.1 million. As of 31 December 2022, the Group's and the Company's current liabilities exceeded the current assets by RM632.1 million and RM411.2 million, respectively, and the Group recorded a capital deficiency of RM227.4 million.

As at 31 December 2022, the Group and the Company did not meet financial covenants for certain borrowings as disclosed in Note 26. As a result, the banks are contractually entitled to request for immediate repayment of the Group's and the Company's outstanding borrowings amount of RM331.4 million and RM25.0 million, respectively. In addition, an amount of RM93.5 million of the Group's borrowings was reclassified from non-current to current liabilities as at that date due to the breach. These banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Cash flows of the Group and of the Company (continued)

Subsequent to the reporting date, as disclosed in the Note 26 to the financial statements, the Group and the Company were granted indulgence by some financial institutions for the breach of financial covenants, but not all financial institutions granted such indulgence or with conditions attached.

The Directors have concluded that the combination of the circumstances highlighted above indicate the existence of material uncertainties that may cast significant doubt over the ability of the Group and the Company to continue as going concerns and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors prepared a set of cash flow projections for the 24-month period ending 31 December 2024 in assessing whether it is appropriate to prepare the financial statements of the Group and the Company for the year ended 31 December 2022 on a going concern basis. In addition, the Directors have taken the following measures to mitigate the existence of material uncertainties on the going concern and ensure that the Group meets its obligations as they fall due:

- Continue engaging with the bankers to ensure that the Group and the Company are able to continue to utilise the undrawn borrowing facilities, as disclosed in Notes 26 and 36;
- In discussion with the Principal Adviser on the terms and conditions of the proposed islamic bridging facilities of up to RM75.0 million to meet short-term financing needs prior to the implementation of the Regularisation Plan;
- Managing cost of operations of the Group; and
- Endeavour to finalise the new 10-year concession agreement with the government by a subsidiary as explained further below.

New Concession Agreement with Ministry of Health, Malaysia ("MOH")

As disclosed in Note 34(f), on 7 April 2023, the MOH issued a letter stating that, based on collaboration with the *Unit Kerjasama Awam Swasta*, Prime Minister Office, a new concession agreement for a period of ten (10) years, for the right and authority to procure, store and supply the Approved Products to the Public Sector Customers, is expected to come into effect from 1 July 2023. The new concession agreement is subject to the approval of the Cabinet of Malaysia. The MOH expects that Pharmaniaga Logistics Sdn. Bhd. ("PLSB") a subsidiary of the Company, will always ensure that the supply of drugs and non-drugs under this concession is not disrupted and thus ensure the delivery of health and medical services to the people of Malaysia. In addition, the Minister of Health announced during a press conference that the MOH decided to continue the concession with PLSB on 18 April 2023.

The Directors are of the view that discussions of the concession agreement with MOH have progressed well and expect the concession will be awarded to PLSB and come into effect from 1 July 2023 upon receiving all necessary approvals from the Cabinet of Malaysia. The Directors are confident that implementation of the new concession would improve the Group's financial position and help to address its PN17 status by providing a steady source of revenue, supporting financial performance, and contributing to profitability.

Based on the measures taken above, the Directors, therefore, believe that it is appropriate to prepare the financial statements of the Group and the Company for the financial year ended 31 December 2022 on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Amendments to published standards that are effective

On 1 January 2022, the Group and the Company have applied the following amendments to published standards:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

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) Amendments to MFRS 112 '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.

(ii) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Amendments to published standards that have been issued but not yet effective (continued)

(iii) There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

– income and expenses for each 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.

(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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Research and development

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

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

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life of 5-15 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share capital (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings and borrowing costs (continued)

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

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(iv) Option Plan (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 net of any penalties charged by the customer in perfoming the obligations. 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Current and deferred income taxes (continued)

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.

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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessee (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 non-financial assets

The Group and Company assess impairment of the non-financial assets (excluding goodwill and development costs work-in-progress), in particular impairment assessments on the property, plant and equipment, intangible assets with definite life and investment in subsidiaries, whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable (i.e. the carrying amount is more than the recoverable amount). The Group also tests annually whether goodwill or development costs work-in-progress has suffered any impairment.

Recoverable amount are determined based on the fair value less costs to sell methods, applying the income approach. The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the non-financial assets based on past experience, current assessment of market share, expectations of market growth and industry growth as well as the new 10-years concession aggrement is executed in the financial year ending 31 December 2023. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the non-financial assets.

Changes to any of these assumptions would affect the amount of impairment. The key assumptions used, results and conclusion of the impairment assessments of the property, plant and equipment, investment in subsidiaries and intangible assets are set out in Notes 12, 14 and 15 to the financial statements, respectively.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Recoverability of Covid-19 vaccines inventory

The Group assesses whether there is any indication that the cost of inventory of Covid-19 vaccines as at 31 December 2022 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.

As at 31 December 2022, there is no indication on the sale of the Covid-19 vaccines inventory, as such, full provision of slow moving inventories amounting to RM552,306,000 was made.

4. REVENUE

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue consists of:				
Revenue from contracts with customers:				
- Sale of goods	**3,510,677**	4,815,015	**-**	-
- Management fees	**-**	-	**12,902**	35,653
	3,510,677	4,815,015	**12,902**	35,653
Dividend income	**-**	-	**37,400**	13,500
	3,510,677	4,815,015	**50,302**	49,153

Disaggregation of revenue from contracts with customers:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Geographical markets				
- Malaysia	**2,518,999**	3,913,475	**12,902**	35,653
- Indonesia	**983,698**	893,079	**-**	-
- Other countries	**7,980**	8,461	**-**	-
	3,510,677	4,815,015	**12,902**	35,653
Timing of revenue recognition				
- at a point in time	**3,510,677**	4,815,015	**-**	-
- over time	**-**	-	**12,902**	35,653
	3,510,677	4,815,015	**12,902**	35,653

5. COST OF SALES

Cost of sales consists of:

	Note	Group 2022 RM'000	Group 2021 RM'000
Amortisation of intangible assets	15	**747**	266
Depreciation of property, plant and equipment	12	**14,198**	16,109
Depreciation of right-of-use assets	13(a)	**224**	137
Employee benefit expenses	8	**54,458**	56,436
Changes in inventories of finished goods		**2,745,121**	2,800,167
Impairment of slow moving and obsolete inventories			
- Covid-19 vaccine		**552,306**	-
- other inventories		**7,147**	7,749
Raw materials and consumables used		**220,558**	1,193,764
Selling and distribution costs		**67,289**	67,354
Maintenance of Pharmacy Information System		**20,000**	23,900
Others		**8,475**	19,118
		3,690,523	4,185,000

6 FINANCE COSTS

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest expenses on:				
- bankers' acceptances	**28,836**	23,545	**-**	-
- revolving credits	**10,878**	9,601	**10,069**	7,267
- lease liabilities	**240**	104	**-**	-
- hire purchase	**84**	74	**-**	-
- advance by a subsidiary company	**-**	-	**8,284**	-
	40,038	33,324	**18,353**	7,267

7 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs) have been charged in arriving at (loss)/profit before zakat and taxation:

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Auditors' remuneration					
(i) statutory audit fees:					
- PricewaterhouseCoopers PLT, Malaysia		**628**	567	**177**	164
- firms other than member firms of PricewaterhouseCoopers International Limited		**210**	206	-	**-**
(ii) other non-audit fees		**70**	398	**51**	5
Depreciation of right-of-use assets	13(a)	**6,403**	3,797	**-**	-
Directors' fees:					
- Executive	8	**20**	12	**20**	-
- Non-executive		**1,032**	962	**896**	824
Directors' salaries, other allowances and emoluments					
- Executive		**3,628**	1,279	**3,626**	1,279
- Non-executive		**211**	188	**152**	125
Employee benefit expenses		**207,095**	225,837	**9,232**	30,287
Expenses arising from leases of low-value assets		**5,853**	4,723	**224**	136
Foreign exchange losses		**3,450**	420	**-**	-
Impairment loss on:					
- trade receivables	17	**853**	4,212	**-**	-
- other receivables	18	**-**	1,194	**-**	-
- amount due from subsidiaries	19	**-**	-	**14,171**	-
Impairment of slow moving and obsolete inventories:					
- covid-19 vaccine		**552,306**	-	**-**	-
- other inventories		**19,387**	27,391	**-**	-
Intangible assets:					
- amortisation	15	**5,916**	3,877	**-**	-
- written off	15	**6,518**	5,931	**-**	-
- impairment loss	15	**50,274**	4,844	**-**	-
Impairment of investment in a subsidiary	14	**-**	-	**19,000**	3,516

7 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(a) The following expenses (excluding finance costs) have been charged in arriving at (loss)/ profit before zakat and taxation: (continued)

		Group		Company	
	Note	**2022**	**2021**	**2022**	**2021**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Management fees paid/payable to immediate holding company		**308**	290	**308**	290
Property, plant and equipment:					
- depreciation	12	**24,116**	25,704	**-**	-
- written off	12	**325**	2,093	**-**	-

During the financial year, the Group incurred a total of RM21,992,000 (2021: RM20,088,000) for research and development expenses, of which RM12,508,000 (2021: RM15,151,000) has been recognised as capitalised development cost of work-in-progress and capitalise development cost under Intangible Assets as disclosed in Note 15.

(b) Other income

		Group		Company	
	Note	**2022**	**2021**	**2022**	**2021**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Gain on disposal of property, plant and equipment		**51**	71	**-**	-
Utilisation of government grant	25	**331**	340	**-**	-
Foreign exchange gains		**42**	927	**41**	-
Others		**2,694**	165	**-**	7
		3,118	1,503	**41**	7

8 EMPLOYEE BENEFIT EXPENSES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Salaries and bonuses		**135,201**	169,688	**3,759**	26,659
Defined contribution plan		**19,332**	15,874	**2,029**	1,615
Defined benefit plan	30	**965**	93	**-**	-
Share-based expenses:					
- Option Plan		**1,858**	1,601	**76**	103
- Long Term Incentive Plan		**-**	64	**-**	94
Other short-term employee benefits		**49,739**	38,517	**3,368**	2,356
		207,095	225,837	**9,232**	30,827
Executive Directors' remuneration:					
- Salaries and bonuses		**2,830**	956	**2,830**	956
- Fees		**20**	12	**20**	-
- Defined contribution plan		**443**	159	**443**	159
- Share-based expenses:					
• Option Plan		**96**	69	**96**	69
• Long Term Incentive Plan		**138**	-	**138**	-
- Other short-term employee benefits		**121**	95	**119**	95
		3,648	1,291	**3,646**	1,279
Total		**210,743**	227,128	**12,878**	32,106
Employee benefit expenses included in:					
- cost of sales	5	**54,458**	56,436	**-**	-
- administrative expenses		**156,265**	170,680	**12,858**	32,106
Executive Directors' fees	7(a)	**20**	12	**20**	-
		210,743	227,128	**12,878**	32,106

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM13,200 (2021: RM121,300).

9 TAXATION

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current tax:					
- Malaysian income tax		**9,704**	55,271	**-**	-
- foreign income tax		**1,341**	806	**-**	-
- under provision in prior years		**8,682**	1,316	**-**	-
		19,727	57,393	**-**	-
Deferred taxation:					
- origination and reversal of temporary differences	29	**4,268**	23,404	**(10,703)**	-
Tax expense		**23,995**	80,797	**(10,703)**	-

A reconciliation of income tax expense applicable to (loss)/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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
(Loss)/Profit before taxation after zakat	**(581,055)**	253,002	**(6,344)**	1,394
Statutory income tax at rate of 24% (2021: 24%)	**(139,453)**	60,720	**(1,523)**	335
Different tax rates in other country	**(203)**	(2)	**-**	-
Tax effects of:				
Expenses not deductible for tax purpose	**164,360**	24,197	**10,499**	4,683
Expenses subject to double deduction	**(5,097)**	(4,783)	**-**	-
Income not subject to tax	**(1,009)**	(511)	**(8,976)**	(4,964)
Utilisation of previously unrecognised deductible temporary differences	**(3,285)**	(140)	**(512)**	(54)
Recognition of previsiously unrecognised temporary differences	**-**	-	**(10,191)**	-
Under provision of tax in prior years	**8,682**	1,316	**-**	-
Tax expense	**23,995**	80,797	**(10,703)**	-

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing the (loss)/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	
	2022	**2021**
Net (loss)/profit attributable to owners of the Company (RM'000)	(607,317)	172,150
Weighted average number of ordinary shares in issue ('000)	**1,309,971**	1,309,336
Basic (loss)/earnings per share (sen)	**(46.36)**	13.15

(b) Diluted (loss)/earnings per share

For the diluted (loss)/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 (loss)/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 (loss)/profit for the financial year for the shares granted under the LTIP calculation.

	Group	
	2022	**2021**
Net (loss)/profit attributable to owners of the Company (RM'000)	**(607,317)**	172,150
Weighted average number of ordinary shares in issue ('000)	**1,309,971**	1,309,336
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	-
Weighted average number of ordinary shares in issue ('000)	**1,309,971**	1,309,336
Diluted (loss)/earnings per share (sen)	**(46.36)**	13.15

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 (loss)/earnings per share.

11. DIVIDENDS

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

	Company			
	2022		2021	
	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 2022:				
- First interim single tier dividend	**0.8**	**10,480**	-	-
- Second interim single tier dividend	**0.5**	**6,550**	-	-
- Third interim single tier dividend	**0.6**	**7,859**	-	-
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
- Fourth interim single tier dividend	**5.0**	**65,498**	-	-
In respect of the financial year ended 31 December 2020:				
- First interim single tier dividend	**-**	**-**	0.2	2,617
	6.9	**90,387**	4.5	58,945

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2022.

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 2022						
Cost	**279,676**	**151,284**	**16,392**	**323,238**	**75,421**	**846,011**
Accumulated depreciation	**(116,224)**	**(119,500)**	**(13,432)**	**(192,667)**	**-**	**(441,823)**
Net book value	**163,452**	**31,784**	**2,960**	**130,571**	**75,421**	**404,188**
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 1 January 2021						
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

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 2022		**167,813**	**30,458**	**1,801**	**134,379**	**30,166**	**364,617**
Additions		**848**	**6,652**	**1,996**	**2,044**	**52,760**	**64,300**
Disposals		**(1)**	**(3)**	**-**	**-**	**-**	**(4)**
Written off	7(a)	**-**	**(309)**	**-**	**(16)**	**-**	**(325)**
Reclassification		**-**	**1,853**	**-**	**5,801**	**(7,654)**	**-**
Depreciation charged	7(a)	**(5,264)**	**(6,532)**	**(868)**	**(11,452)**	**-**	**(24,116)**
Foreign exchange adjustments		**56**	**(335)**	**31**	**(185)**	**149**	**(284)**
At 31 December 2022		**163,452**	**31,784**	**2,960**	**130,571**	**75,421**	**404,188**
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

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 2022				
Cost	**25,655**	**121,075**	**132,946**	**279,676**
Accumulated depreciation	**-**	**(45,919)**	**(70,305)**	**(116,224)**
Net book value	**25,655**	**75,156**	**62,641**	**163,452**
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 1 January 2021				
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

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 (continued):				
Movements in net book value				
At 1 January 2022	**25,545**	**77,431**	**64,837**	**167,813**
Additions	**-**	**-**	**848**	**848**
Disposal	**-**	**-**	**(1)**	**(1)**
Depreciation charged	**-**	**(2,282)**	**(2,982)**	**(5,264)**
Foreign exchange adjustments	**110**	**7**	**(61)**	**56**
At 31 December 2022	**25,655**	**75,156**	**62,641**	**163,452**
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

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 2022				
Cost	**33,975**	**46,629**	**70,680**	**151,284**
Accumulated depreciation	**(25,253)**	**(37,193)**	**(57,054)**	**(119,500)**
Net book value	**8,722**	**9,436**	**13,626**	**31,784**
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 1 January 2021				
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

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment (continued):				
Movements in net book value				
At 1 January 2022	**8,391**	**9,460**	**12,607**	**30,458**
Additions	**1,643**	**2,018**	**2,991**	**6,652**
Disposals	**-**	**(2)**	**(1)**	**(3)**
Written off	**(296)**	**-**	**(13)**	**(309)**
Reclassification	**198**	**735**	**920**	**1,853**
Depreciation charged	**(1,202)**	**(2,490)**	**(2,840)**	**(6,532)**
Foreign exchange adjustments	**(12)**	**(285)**	**(38)**	**(335)**
At 31 December 2022	**8,722**	**9,436**	**13,626**	**31,784**
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

During the financial year, depreciation of RM14,198,000 (2021: RM16,109,000) is included in 'cost of sales' and RM9,918,000 (2021: RM9,595,000) in 'administrative expenses' in profit or loss.

Included in the addition of the capital work-in-progress is interest capitalised of RM2,699,000 (2021: nil).

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	
	2022	**2021**
	RM'000	**RM'000**
Plant and machinery	**749**	831
Equipment	**1,495**	361
Motor vehicles	**273**	517
	2,517	1,709

The net cash outflows for the acquisition of property, plant and equipment during the financial year are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Acquisition of property, plant and equipment during the financial year	**64,300**	26,611
Less: Accrual of property, plant and equipment	**(9,010)**	(5,383)
Less: Acquired through hire purchase arrangements	**(1,412)**	(217)
Add: Payments for property, plant and equipment purchased in prior year	**5,383**	9,376
Net cash outflows for the acquisition of property, plant and equipment	**59,261**	30,387

Security

At 31 December 2022, land with a carrying amount of RM9,457,000 (2021: RM9,457,000) 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 in relation to the small volume injectable production plant in attributable to the products produced by plant

An impairment assessment was undertaken for the Group's small volume injectable production plant, as it has not been utilise to it optinum production capacity as most of the product are still inthe development stage..

The recoverable amount of the small volume injectable production plant are determined based on the fair value less costs to sell ("FVLCS") methods, applying the income approach, covering a period of five (5) years with terminal values developed based on the approved budget by the Directors. The business plan reflects the cash-generating unit's expectation of revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment for property, plant and equipment in relation to the small volume injectable production plant in attributable to the products produced by plant (continued)

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the small volume injectable production plant. In determining the value of each key assumption, management used the historical data of demand for its existing products in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the small volume injectable production plant.

In the previous financial year, the recoverable amount was determined using the VIU method, taking into consideration the potential impact of the on-going COVID-19 pandemic on its business operations by considering the range of possible outcomes to reflect expectations about possible variations in the amount or timing of future cash flows. Assumptions were made about the demand for its existing products and new products under development in the market, and these assumptions were 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 key assumptions attributable to the products produced by plant used in the impairment testing are as follows:

	2022	2021
	%	%
Sales growth rate (per annum)	4.6 to >100.0	<1.0 to 13.4
Product margins	0 to 96.0	4.8 to 80.5
Discount rate (per annum)	9.0	14.7
Terminal growth	2.2	N/A

Based on management's assessment, no impairment charge is required on the carrying value of the small volume injectable production plant in the current and previous financial years. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the small volume injectable production plant to materially exceed the recoverable amount in the current and previous financial years.

13 LEASES

(a) Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Group				
At 31 December 2022				
Cost	**30,137**	**28,716**	**1,729**	**60,582**
Accumulated depreciation	**(7,476)**	**(13,193)**	**(1,067)**	**(21,736)**
Net book value	**22,661**	**15,523**	**662**	**38,846**
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 1 January 2021				
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

13. LEASES (CONTINUED)

(a) Right-of-use assets (continued)

	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Group				
Movements in net book value				
At 1 January 2022	**23,315**	**6,662**	**996**	**30,973**
Additions	**-**	**14,472**	**-**	**14,472**
Depreciation charged (Note 7(a))	**(598)**	**(5,471)**	**(334)**	**(6,403)**
Foreign exchange adjustments	**(56)**	**(140)**	**-**	**(196)**
At 31 December 2022	**22,661**	**15,523**	**662**	**38,846**
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

During the financial year, depreciation of RM224,000 (2021: RM137,000) is included in 'cost of sales' and RM6,179,000 (2021: RM3,660,000) 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. As at 31 December 2022, potential future cash outflow of RM1,530,723 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

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.

(b) Lease liabilities

	Group	
	2022	**2021**
	RM'000	**RM'000**
Current	**5,155**	1,193
Non-current	**4,038**	441
	9,193	1,634

13. LEASES (CONTINUED)

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 2022 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 2022 RM'000
Group						
Lease liabilities	**1,634**	**(7,026)**	**240**	**14,472**	**(127)**	**9,193**

	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

14 SUBSIDIARIES

	Company	
	2022 RM'000	**2021 RM'000**
Investment in subsidiaries:		
Unquoted shares, at cost	**586,954**	586,954
Less: Accumulated impairment losses	**(22,894)**	(3,894)
	564,060	583,060
Capital contribution to subsidiaries	**12,160**	10,378
	576,220	593,438

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.

14 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries incorporated and principal place of business in Malaysia, unless otherwise stated, are as follows:

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2022	2021
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. (“BCT”)	Dormant	RM2,000,000	**100**	100
Pharmaniaga Biomedical Sdn. Bhd.	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM103,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. @	Dormant	USD100,000	**100**	100

14 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries incorporated and principal place of business in Malaysia, unless otherwise stated, are as follows (continued):

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2022	2021
Subsidiary of Pristine Pharma Sdn. Bhd.				
Paradigm Industry Sdn. Bhd.	Manufacture and sale of food supplements	RM100,000	**100**	100
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

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.

Impairment assessment on investment in subsidiaries

During the financial year, the Company conducted impairment assessments of its investments in several subsidiaries due to various factors. These included provision for slow-moving Covid-19 vaccines inventory, the small volume injectable production plant has not been untilise to its optimum production capacity, the provision of medicines and medical supplies to MOH facilities is in place until 30 June 2023 pending finalisation of a new concession agreement, and the long gestation period and uncertain business environment of its manufacturing operations in Indonesia that could potentially affect the recoverable amount of the investment in subsidiary.

14 SUBSIDIARIES (CONTINUED)

Impairment assessment on investment in subsidiaries (continued)

The recoverable amounts of the investments are determined based on the FVLCS methods, applying the income approach. The fair value mesurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

(a) Pharmaniaga Logistics Sdn. Bhd. ("PLSB")

During the current financial year, the Company conducted an impairment assessment as the interim period for the provision of medicines and medical supplies to MOH facilities is only effective until 30 June 2023, pending the finalisation of a new concession agreement.

The discounted cash flow projections cover a period of ten (10) years period and were developed based on the five (5) years approved budget by the Directors, assuming the continuity of the concession agreement with the government. The projections reflect management's expectation of sales volume growth and product margins for the investment based on the current assessment of market share and expectations of market growth.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the investment. In determining the value of each key assumption, management used the historical data of the investment in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the investment.

The key assumptions used in the impairment testing are as follows:

	2022
	%
Sales growth rate (per annum)	<1.0 to 14.6
Product margins	6.4 to 7.3
Discount rate (per annum)	12.1

The Company'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 assumptions would cause the carrying amount of the investment to exceed their recoverable amount.

14 SUBSIDIARIES (CONTINUED)

Impairment assessment on investment in subsidiaries (continued)

(b) Pharmaniaga International Corporation Sdn. Bhd. ("PNIC")

During the financial year, the Company conducted impairment assessments due to the long gestation period and uncertain business environment of its manufacturing operations in Indonesia that could potentially affect the recoverable amount of the investment. As a result, the investments recoverable amount has reduced to RM84.3 million and impairment of RM19.0 million is recognised.

The discounted cash flows projections covers a period of five (5) years for PT MPI and ten (10) years for PT Errita with terminal values that reflects the industry's product lifecycle from development to commercialisation developed based on the five (5) years approved budget by the Directors. The business plan reflects the investment 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 valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the Indonesia operations. In determining the value of each key assumption, management used the historical data of Indonesia operations in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the investment.

The key assumptions used for Indonesia manufacturing operations are as follows:

	2022
	%
Sales growth rate (per annum)	3.0 to 50.0
Product margins	14.0 to 36.0
Discount rate (per annum)	18.3 to 21.7
Terminal growth	3.2 to 3.3

The Company'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 assumptions would cause the carrying amount of the investment to exceed their recoverable amount.

14 SUBSIDIARIES (CONTINUED)

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	
	2022	**2021**
	RM'000	**RM'000**
Current		
Assets	**364,463**	318,645
Liabilities	**(311,883)**	(267,872)
Total current net assets	**52,580**	50,773
Non-current		
Assets	**34,336**	30,051
Liabilities	**(7,572)**	(7,306)
Total non-current net assets	**26,764**	22,745
Net assets	**79,344**	73,518
Net assets attributable to non-controlling interests at the end of the financial year	**21,106**	19,556
Proportion of effective equity interests held by non-controlling interests (%)	**27**	27

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	
	2022	**2021**
	RM'000	**RM'000**
Revenue	**944,261**	857,920
Profit before taxation	**10,142**	1,840
Taxation	**(1,341)**	(1,297)
Net profit for the financial year	**8,801**	543
Other comprehensive (loss)/income	**(2,600)**	842
Total comprehensive income, net of tax for the financial year	**6,201**	1,385
Net profit for the financial year allocated to non-controlling interests	**2,341**	144
Total comprehensive income allocated to non-controlling interests	**1,649**	368
Dividend paid to non-controlling interests	**99**	44

Summarised statement of cash flows

Cash (used in)/generated from operations	**(18,929)**	14,395
Interest paid	**(11,829)**	(9,773)
Net tax paid	**(1,851)**	(4,766)
Net cash used in operating activities	**(32,609)**	(144)
Net cash used in investing activities	**(4,311)**	(923)
Net cash generated from/(used in) financing activities	**27,912**	(3,735)
Net changes in cash and cash equivalents	**(9,008)**	(4,802)
Cash and cash equivalents at beginning of financial year	**13,052**	17,764
Foreign exchange differences	**(297)**	90
Cash and cash equivalents at end of financial year	**3,747**	13,052

15 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Software RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Rights to sell RM'000	Manu-facturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Group										
Cost										
At 1 January 2022		144,876	20,691	54,350	4,054	-	16,950	3,883	3,071	247,875
Reclassification		-	-	(15,728)	6,275	9,453	-	-	-	-
Additions		-	4,683	10,300	2,208	-	-	-	-	17,191
Written off	7(a)	-	-	(6,376)	(142)	-	-	-	-	(6,518)
Foreign exchange adjustments		(1,860)	(191)	-	-	-	(554)	(133)	-	(2,738)
At 31 December 2022		143,016	25,183	42,546	12,395	9,453	16,396	3,750	3,071	255,810
Less: Accumulated amortisation										
At 1 January 2022		-	5,049	-	821	-	13,656	1,864	975	22,365
Amortisation charged	7(a)	-	1,665	-	747	1,420	1,822	262	-	5,916
Foreign exchange adjustments		-	(191)	-	-	-	(535)	(77)	-	(803)
At 31 December 2022		-	6,523	-	1,568	1,420	14,943	2,049	975	27,478
Less: Accumulated impairment										
At 1 January 2022		15,401	-	-	-	-	-	-	2,096	17,497
Impairment charged	7(a)	50,274	-	-	-	-	-	-	-	50,274
At 31 December 2022		65,675	-	-	-	-	-	-	2,096	67,771
Net book value										
At 31 December 2022		77,341	18,660	42,546	10,827	8,033	1,453	1,701	-	160,561

15 INTANGIBLE ASSETS (CONTINUED)

	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
Group									
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 charged	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

15 INTANGIBLE ASSETS (CONTINUED)

During the financial year, amortisation of RM747,000 (2021: RM266,000) is included in 'cost of sales' and RM5,169,000 (2021: RM3,611,000) in 'administrative expenses' in profit or loss.

Included in the addition of capitalise of development cost of work-in-progress is interest capitalised of RM1,162,000 (2021: nil).

The net cash outflows for the acquisition of intangible assets during the financial year are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Additions during the financial year	**17,191**	16,412
Less: Accrual of intangible assets	**(258)**	(1,443)
Add: Payment for intangible assets acquired in prior year	**1,443**	-
Net cash outflows on the acquisition of intangible assets	**18,376**	14,969

Impairment assessment for goodwill

Goodwill is intangible assets with indefinite useful lives. These assets are not amortised as they are not confined to a predetermined service period and they are expected to contribute to net cash inflows indefinitely, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level. The carrying amounts of goodwill allocated to the Group's CGUs are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Malaysia		
Trading and distribution	**16,839**	16,839
Manufacturing	**58,205**	58,205
Indonesia		
Trading and distribution	**2,297**	2,375
Manufacturing	**-**	52,056
Total	**77,341**	129,475

15 INTANGIBLE ASSETS (CONTINUED)

(a) Operations in Malaysia: Trading and distribution, and Manufacturing; and operations in Indonesia: Trading and distribution

The recoverable amounts of the CGUs are determined based on the FVLCS methods, applying the income approach. The discounted cash flow projections cover a period of five (5) years with terminal values for each CGU, except for the Malaysia trading and distribution CGU, which has a budget period of ten (10) years developed based on the five (5) years budget approved by the Directors, assuming the continuity of the concession agreement with the government. The projections reflect management's expectation of sales volume growth and product margins for the CGUs based on the current assessment of market share and expectations of market growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the respective CGUs. In determining the value of each key assumption, management used the historical data of respective CGUs in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the CGU.

In the previous financial year, the recoverable amount was determined using the VIU method, applying a discounted cash flow model using cash flow projections covering periods ranging from 5 to 10 years and were developed based on the approved budget approved by the Directors that reflects the product lifecycle. The projections reflect management's expectation of sales volume growth and product margins for the CGUs based on the current assessment of market share and expectations of market growth and the continuity of the concession agreement with the Government.

The key assumptions used in the impairment testing are as follows:

	Malaysia		**Indonesia**
	Trading and distribution	**Manufacturing**	**Trading and distribution**
	%	**%**	**%**
2022			
Sales growth rate (per annum)	**<1.0 to 14.6**	**3.0 to 56.0**	**11.0 to 50.0**
Product margins	**6.4 to 7.3**	**28.7 to 32.4**	**8.4 to 10.5**
Discount rate (per annum)	**9.5**	**14.7**	**13.1**
Terminal growth rate	**N/A**	**2.2**	**3.3**
2021			
Sales growth rate (per annum)	(5.8) to 8.0	9.0 to 59.9	12.4 to 15.3
Product margins	10.1 to 11.0	24.6 to 40.9	7.4 to 7.5
Discount rate (per annum)	13.5	14.7	14.3

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 assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for goodwill (continued)

(b) Operations in Indonesia: Manufacturing

Due to the long gestation and uncertain business environment of the manufacturing operations in Indonesia, the Group fully impaired RM50,274,000 on the goodwill of Indonesia manufacturing CGU during the financial year ended 31 December 2022, as the recoverable amount was determined to be nil.

The recoverable amount of the CGU is determined using the FVLCS method, applying the income approach. The projections cover a ten (10) year period with terminal value that reflects the industry's product lifecycle from development to commercialisation developed based on the five (5) years approved budget by the Directors. The business plan reflects the CGU'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 fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the Indonesia manufacturing. In determining the value of each key assumption, management used the historical data of Indonesia manufacturing in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the CGU.

In the previous financial year, the recoverable amount was determined using the VIU method, applying a discounted cash flow model using cash flow projections covering a ten (10) years period and were developed based on the approved budget approved by the Directors that reflects the product lifecycle. The projections reflect management's expectation of sales volume growth and product margins for the CGUs based on the current assessment of market share and expectations of market growth.

The key assumptions used for Indonesia manufacturing operations are as follows:

	2022	2021
	%	%
Sales growth rate (per annum)	3.0 to 50.0	12.0 to 71.1
Product margins	14.0 to 36.0	19.9 to 51.0
Discount rate (per annum)	15.6	19.6
Terminal growth	3.2	N/A

In the previous financial year, there was no reasonable change in the assumptions would cause the carrying amounts of the CGU to exceed its recoverable amount.

15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for capitalised development costs of work-in-progress within the manufacturing segment

Capitalised development costs of work-in-progress that are not ready to use, are not subject to amortisation and are tested annually for impairment.

The recoverable amounts of the CGUs are determined based on the FVLCS methods, applying the income approach, covering a period of 5 to 15 years that reflects the industry, product lifecycle from development to commercialisation developed based on the five (5) years budget approved by Directors. The sales volumes used in the calculations are based on the respective product lifecycle and new products under development. The business plan reflects the cash-generating unit's expectation of revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the respective CGUs. In determining the value of each key assumption, management used the historical data of respective CGUs in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the CGU.

In the previous financial year, the recoverable amount was determined using the VIU method, applying 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 VIU 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 impairment testing are as follows:

	2022	2021
	%	%
Sales growth rate (per annum)	3.0 to > 100.0	9.0 to 71.1
Product margins	<1.0 to 94.0	19.9 to 51.0
Discount rate (per annum)	14.7 to 15.6	14.7 to 19.6
Terminal growth	2.2	N/A

Based on management's assessment, no impairment charge is required on the carrying value of the capitalised development costs of work-in-progress in the current and previous financial years. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGUs to materially exceed the recoverable amounts in the current and previous financial years.

16 INVENTORIES

	Group	
	2022	**2021**
	RM'000	**RM'000**
Raw materials	**87,403**	49,702
Packaging materials	**33,231**	26,961
Work-in-progress	**7,983**	5,888
Finished goods	**638,646**	1,181,818
	767,263	1,264,369

As at 31 December 2022, there was no firmed purchase commitment of the Covid-19 vaccines inventory. As such, full provision for slow moving and obsolete inventories amounting to RM552,306,000 was made.

17 TRADE RECEIVABLES

	Group	
	2022	**2021**
	RM'000	**RM'000**
Current		
Trade receivables	**272,172**	241,359
Less: Accumulated impairment losses	**(10,421)**	(13,510)
	261,751	227,849

The credit terms of trade receivables range from 30 days to 120 days (2021: 30 days to 120 days).

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**
2022			
At 1 January 2022	**10,354**	**3,156**	**13,510**
Impairment during the financial year (Note 7(a))	**(187)**	**1,040**	**853**
Written off	**(3,537)**	**-**	**(3,537)**
Foreign exchange differences	**(405)**	**-**	**(405)**
At 31 December 2022	**6,225**	**4,196**	**10,421**
2021			
At 1 January 2021	7,038	8,837	15,875
Impairment during the financial year (Note 7(a))	3,566	646	4,212
Written off	(198)	(6,327)	(6,525)
Foreign exchange differences	(52)	-	(52)
At 31 December 2021	10,354	3,156	13,510

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.

18 OTHER RECEIVABLES

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Other receivables	**9,005**	4,955	**29**	23
Less: Accumulated impairment losses	**(1,194)**	(1,194)	**-**	-
	7,811	3,761	**29**	23
Prepayments	**41,728**	27,517	**325**	142
Deposits	**4,110**	5,001	**16**	6
VAT recoverable	**36,251**	33,594	**-**	-
	89,900	69,873	**370**	171
Non-current				
Other receivables	**3,188**	3,188	**-**	-
Less: Accumulated impairment	**(3,188)**	(3,188)	**-**	-
	-	-	**-**	-

Movement of the accumulated impairment of other receivables during the financial year is as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	**4,382**	3,188
Impairment during the financial year (Note 7(a))	-	1,194
At 31 December	**4,382**	4,382

Information about the impairment of other receivables and the exposure to credit risk is disclosed in Note 35.

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2022	**2021**
	RM'000	**RM'000**
Current		
Amounts due from subsidiaries	**90,471**	118,881
Less: Accumulated impairment losses	**(24,135)**	(24,135)
Amounts due from subsidiaries - net	**66,336**	94,746
Non-current		
Amounts due from subsidiaries	**272,208**	185,980
Less: Accumulated impairment losses	**(51,591)**	(37,420)
Amounts due from subsidiaries - net	**220,617**	148,560

The amounts due from subsidiaries are unsecured, bear interest at 4.02% - 4.77% (2021: nil) and are repayable on demand.

Movements of the accumulated impairment of amounts due from subsidiaries during the financial year are as follows:

	Company	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	**61,555**	61,555
Impairment during the financial year (Note 7(a))	**14,171**	-
At 31 December	**75,726**	61,555

During the current financial year, the Directors of the Company have assessed the carrying amount of the amount due from subsidiaries. As a result of the assessment, an impairment of RM14,171,000 was recognised during the financial year mainly due to adverse changes in the financial capability of the subsidiary and failure to comply with the repayment plan with the Company.

(b) Amounts due to subsidiaries

Included in amounts due to subsidiaries is an advance granted to the Company by a subsidiary amounting to RM385.0 million (2021: RM133.0 million) which is unsecured, bears interest at 2.29% - 3.57% (2021: 3.90%) 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 RM37.4 million (2021: RM13.5 million) during the financial year was set off against amounts due to subsidiaries.

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(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 2022 RM'000	Net cash flow RM'000	Non-cash changes RM'000	At 31 December 2022 RM'000
Amounts due to subsidiaries	**303,413**	**119,775**	**(37,400)**	**385,788**

	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

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	**23,549**	27,036	**5,020**	1,291
Deposits with licensed banks	**29,300**	25,323	**-**	-
Total deposits, cash and bank balances	**52,849**	52,359	**5,020**	1,291
Less: Deposits maturing more than three (3) months	**-**	(5,247)	**-**	-
Total cash and cash equivalents at end of financial year	**52,849**	47,112	**5,020**	1,291

Cash and bank balances are deposits held at call with banks and earn no interest except for bank balances amounting to RM2.7 million (2021: RM5.3 million) that earn interest at 1.3% (2021: 1.1%) per annum.

The effective interest rates on deposits with licensed banks for the Group ranging from 1.6% to 2.7% (2021: 1.7% to 1.8%) per annum with original maturity dates ranging from 1 days to 5 days (2021: 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 (2021: 30 days to 120 days).

23 OTHER PAYABLES

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**63,167**	95,945	**3,004**	17,588
Obligations to repay to customers	**45,423**	54,512	**-**	-
Accruals	**38,424**	25,428	**2,893**	829
	147,014	175,885	**5,897**	18,417

24 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	3,949	4,289
Recognition during the financial year (Note 7(b))	(331)	(340)
At 31 December	3,618	3,949
Analysed as:		
- Current	260	332
- Non-current	3,358	3,617
	3,618	3,949

Government grants relate to monies received from certain government agencies to fund the purchase of certain intangible assets and property, plant and equipment of the Group.

26 BORROWINGS

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Current					
Unsecured:					
- Bankers' acceptances	(a)(i)	**681,300**	543,979	**-**	-
- Revolving credits	(a)(ii)	**247,633**	25,700	**83,000**	17,000
		928,933	569,679	**83,000**	17,000
Secured:					
- Hire purchase		**519**	377	**-**	-
- Term loans	(a)(iii),(b)	**38,820**	-	**-**	-
		968,272	570,056	**83,000**	17,000
Non-current					
Unsecured:					
- Revolving credits		**189,666**	282,299	**98,000**	116,000
Secured:					
- Term loan	(b)	**-**	2,690	**-**	-
- Hire purchase		**961**	181	**-**	-
		190,627	285,170	**98,000**	116,000
Total		**1,158,899**	855,226	**181,000**	133,000
Bankers' acceptances		**681,300**	543,979	**-**	-
Revolving credits		**437,299**	307,999	**181,000**	133,000
Term loan		**38,820**	2,690	**-**	-
Hire purchase		**1,480**	558	**-**	-
Total		**1,158,899**	855,226	**181,000**	133,000

26 BORROWINGS (CONTINUED)

(a) The Group and the Company did not meet certain financial covenants for some borrowings as at 31 December 2022.

Due to this breach of the covenant clauses, the banks are contractually entitled to request for immediate repayment of the outstanding borrowings amount of RM331.4 million, presented as current liabilities as at 31 December 2022. Details of the breaches of the financial covenants are as follows:

(i) Bankers' acceptances

The Group breached certain financial covenants in the facilities agreements as follows:

- The consolidated net worth of the Group must not be less than RM336.0 million;
- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times; and
- The value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities.

The outstanding balance of RM161.3 million is presented as current liabilities as at 31 December 2022. On 21 March 2023, the Group obtained indulgence for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM96.5 million. Subsequently, on 4 April 2023, the Group was allowed to continue utilising the RM41.8 million facility beyond 30 June 2023, subject to the renewal of the concession by MOH, the Company not declaring dividends without the prior consent of the bank, and adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA in the future. The remaining borrowings balance without indulgence is RM23.0 million.

In addition, on 6 March 2023, another bank suspended a facility of RM70.0 million, with outstanding borrowing amount of RM62.6 million. Subsequently, on 31 March 2023, the bank lifted the suspension by allowing the Group to continue utilising the facility up to RM50.0 million to finance sales only.

(ii) Revolving credits

The Group breached certain financial covenants in the facilities agreements as follows:

- The consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The consolidated Debt Service Coverage Ratio ("DSCR"), calculated as ratio of EBITDA to interest expense, must not be less than 1.5; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million.

The outstanding balance of RM131.3 million is presented as current liabilities as at 31 December 2022. Subsequently, on 4 April 2023, the Group are allowed to continue utilising the RM40.0 million facility beyond 30 June 2023, subject to the renewal of concession by MOH, the Company not declaring dividends without the prior consent of the bank, and adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA in the future. The remaining borrowings balance without indulgence is RM91.3 million.

26 BORROWINGS (CONTINUED)

(a) The Group and the Company did not meet certain financial covenants for some borrowings as at 31 December 2022. (continued)

(iii) Term loans

The Group breached certain financial covenants in the facility agreements as follows:

- The consolidated net worth of the Group must not be less than RM336.0 million; and
- 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 outstanding balance of RM38.8 million is presented as current liabilities as at 31 December 2022. Subsequently, on 21 March 2023, the Group obtained indulgence from the compliance of financial covenant above.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

(b) The Group's term loan is secured over the land of a subsidiary (see Note 12).

Hire purchase liabilities

	Group	
	2022	**2021**
	RM'000	**RM'000**
Minimum lease payments:		
- Payable within 1 year	**601**	415
- Payable between 1 and 5 years	**1,102**	199
	1,703	614
Less: Future finance charges	**(223)**	(56)
Present value of liabilities	**1,480**	558

26 BORROWINGS (CONTINUED)

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 2022						
Bankers' acceptances	5.20	681,300	-	-	-	681,300
Revolving credits	4.20	247,633	34,667	110,004	44,995	437,299
Term loans	5.08	38,820	-	-	-	38,820
Hire purchase	5.32	519	961	-	-	1,480
		968,272	35,628	110,004	44,995	1,158,899
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 loans	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
Company						
At 31 December 2022						
Revolving credits	4.70	83,000	18,000	60,000	20,000	181,000
At 31 December 2021						
Revolving credits	3.90	17,000	18,000	58,000	40,000	133,000

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 2022 RM'000	Net cash flow RM'000	Acquisition of PPE RM'000	Foreign exchange movements RM'000	At 31 December 2022 RM'000
Group					
Borrowings	**854,668**	**310,978**	**-**	**(8,227)**	**1,157,419**
Hire purchase liabilities	**558**	**(531)**	**1,412**	**41**	**1,480**
Total	**855,226**	**310,447**	**1,412**	**(8,186)**	**1,158,899**

	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	669,609	182,139	217	3,261	855,226

	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
Company					
Borrowings	**133,000**	**48,000**	**-**	**-**	**181,000**

	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
Company					
Borrowings	130,000	3,000	-	-	133,000

Fair value

The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**985,543**	708,323	**181,000**	133,000
Indonesian Rupiah	**173,356**	146,903	**-**	-
	1,158,899	855,226	**181,000**	133,000

Undrawn borrowings facilities

The Group and the Company have the following undrawn borrowings facilities:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bankers' acceptances	**676,600**	894,221	**-**	-
Revolving credits	**20,000**	100,001	**10,000**	50,000
Term loans	**66,180**	182,310	**-**	-
Bank overdraft	**2,820**	2,920	**-**	-
	765,600	1,179,452	**10,000**	50,000

Included in the Bankers' acceptances is RM450.0 million facility available only for the purchases or import of materials related to Covid-19 vaccine.

27 SHARE CAPITAL

	Company			
	Number of shares			Amount
	2022	**2021**	**2022**	**2021**
	'000	**'000**	**RM'000**	**RM'000**
Issued and fully paid-up ordinary shares with no par value:				
At 1 January	**1,309,959**	261,706	**154,051**	153,339
Issuance during the financial year arising from:				
- Long Term Incentive Plan	**250**	286	**138**	712
- Bonus issue	**-**	1,047,967	**-**	-
At 31 December	**1,310,209**	1,309,959	**154,189**	154,051

28 SHARE RESERVES

(a) Option Plan

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Option Plan	**3,624**	1,670	**3,624**	1,670

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 subsidiaries, dormant subsidiaries and Directors).

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, as the case may be, of the Company or its subsidiaries on the vesting and exercise date. 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.

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	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	**39,357**	2,040
Granted	**-**	40,164
Forfeited	**(3,038)**	(2,847)
At 31 December	**36,319**	39,357
Exercisable at 31 December	**-**	-

28 SHARE RESERVES (CONTINUED)

(a) Option Plan (continued)

Movements of share options during the financial year (continued)

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 (2021: 5 years).

The amounts recognised in the financial statements as disclosed in Notes 8 and 34(e) arose from the Option Plan granted to Directors and Eligible Employees.

(b) Long Term Incentive Plan

A Long Term Incentive Plan ("LTIP") was implemented on 13 May 2016 for the benefit of the Executive Director and Eligible Employees of the Group. The value of the allocation per year to the Executive Director and Eligible Employees under the LTIP shall not exceed 6% of the audited profit after tax of the Group for the preceding financial year.

Under the LTIP, the Executive Director and Eligible Employees are awarded with new ordinary shares in the Company for nil consideration and the shares granted are vested to the Executive Director and Eligible Employees in tranches over a period of up to 3 years. There are no cash settlement alternatives.

As at 31 December 2022, the particulars of the shares granted under the LTIP is as follows:

	At grant date		**Number of ordinary shares**				
	Fair value	**Market price**	**At**				**At**
Date of grant	RM	RM	**1.1.2022**	**Granted**	**Vested**	**Lapsed**	**31.12.2022**
13 Dec 2022	0.55	0.55	-	250,000	-	-	250,000

28 SHARE RESERVES (CONTINUED)

(b) Long Term Incentive Plan (continued)

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	RM0.55
Expected volatility	24.0% to 59.0%
Expected dividend yield	4.4%
Risk free rate	3.9%

The expected volatility is based on 1 month, 1 year and 2 years average daily volatility.

29 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**14,075**	23,906
- Deferred tax assets to be recovered within 12 months	**12,972**	9,160
	27,047	33,066
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**(6,476)**	(20,780)
- Deferred tax liabilities to be recovered within 12 months	**(12,339)**	(572)
	(18,815)	(21,352)
Deferred tax assets (net)	**8,232**	11,714

29 DEFERRED TAXATION (CONTINUED)

	Note	Group 2022 RM'000	2021 RM'000
At 1 January		**11,714**	34,166
(Charged)/Credited to profit or loss:			
– property, plant and equipment		**(1,422)**	(22,793)
– provisions		**(6,832)**	6,463
– unutilised tax losses		**3,748**	(8,331)
– intangible assets		**238**	1,257
	9	**(4,268)**	(23,404)
Foreign exchange adjustments		**786**	952
At 31 December		**8,232**	11,714

	Group 2022 RM'000	2021 RM'000
Subject to income tax		
Deferred tax assets (before offsetting):		
- property, plant and equipment	**91**	396
- provisions	**14,968**	21,014
- unutilised tax losses	**25,876**	22,128
	40,935	43,538
Offsetting	**(13,888)**	(10,472)
Deferred tax assets (after offsetting)	**27,047**	33,066
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(31,893)**	(30,776)
- intangible assets	**(810)**	(1,048)
	(32,703)	(31,824)
Offsetting	**13,888**	10,472
Deferred tax liabilities (after offsetting)	**(18,815)**	(21,352)

29 DEFERRED TAXATION (CONTINUED)

	Note	Company 2022 RM'000	2021 RM'000
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months		**10,703**	-
- Deferred tax assets to be recovered within 12 months		**-**	-
		10,703	-
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months		**-**	-
- Deferred tax liabilities to be recovered within 12 months		**-**	-
		-	-
Deferred tax assets (net)		**10,703**	-

	Note	Company 2022 RM'000	2021 RM'000
At 1 January		**-**	-
Credited to profit or loss:		**-**	-
- unutilised tax losses	9	**10,703**	-
At 31 December		**10,703**	-

29 DEFERRED TAXATION (CONTINUED)

	Company	
	2022	**2021**
	RM'000	**RM'000**
Subject to income tax		
Deferred tax assets (before offsetting):		
- unutilised tax losses	**10,703**	-
	10,703	-
Offsetting	**-**	-
Deferred text assets (after offsetting)	**10,703**	-

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 and product margins. 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.

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unutilised tax losses	**92,289**	58,100	**-**	37,977
Unabsorbed capital allowances	**2,209**	16	**-**	-
Other deductible temporary difference	**983**	16,263	**-**	16,263
	95,481	74,379	**-**	54,240
Deferred tax assets not recognised at 24% (2021: 24%)	**22,915**	17,851	**-**	13,018

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 2022, the amount of unutilised tax losses based on time limit is as follows (stated at gross):

Unutilised tax losses

Group

	Expired by year					
	2028	**2029**	**2030**	**2031**	**2032**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2022						
Deferred tax assets are recognised	**33,756**	**7,177**	**7,533**	**18,467**	**40,885**	**107,818**
No deferred tax assets are recognised	**48,912**	**9,956**	**6,400**	**11,333**	**15,688**	**92,289**
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

29 DEFERRED TAXATION (CONTINUED)

Unutilised tax losses (continued)

Company

	Expired by year			
	2028	**2029**	**2030**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 31 December 2022				
Deferred tax asset recognised	**20,551**	**5,650**	**18,394**	**44,595**
No deferred tax assets are recognised	**-**	**-**	**-**	**-**

	Expired by year			
	2025	**2026**	**2027**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 31 December 2021				
No deferred tax assets are recognised	29,328	2,998	5,651	37,977

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 2022 were signed on 30 December 2022 and 19 January 2023.

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**9,051**	9,079
Actuarial losses recognised in the statements of comprehensive income	**(402)**	(339)
Cumulative actuarial losses recognised	**(626)**	(224)

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	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	**9,079**	10,259
Charged to profit or loss (Note 8)	**965**	93
Contributions paid during the financial year	**(1,022)**	(1,926)
Recognition of actuarial losses	**402**	339
Foreign exchange adjustments	**(373)**	314
At 31 December	**9,051**	9,079

The amounts recognised in the profit or loss are as follows:

Current service cost	**671**	841
Interest cost	**613**	726
Gain on settlement for past service cost	**(319)**	(1,474)
Total included in employee benefit expenses (Note 8)	**965**	93

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

	Group	
	2022	**2021**
	%	**%**
Discount rate	**7.3**	7.5
Expected rate of salary increase	**5.5**	5.5

The weighted average duration of the defined benefit obligation is 18 years (2021: 18 years).

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**
2022			
Discount rate	**1.0%**	**Decrease by 2.9%**	**Increase by 11.1%**
Expected rate of salary increase	**1.0%**	**Increase by 11.1%**	**Decrease by 3.0%**
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%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous financial year.

31 CONTRACT LIABILITIES

(a) Contract liabilities

	Note	2022 RM'000	Group 2021 RM'000
RoyalePharma voucher	(i)	**397**	304
Contract with customers for supply of medical and non-medical equipment	(ii)	**17,152**	6,225
Contract with customers for supply of medicines	(iii)	**13,468**	15,599
		31,017	22,128

(i) RoyalePharma voucher

At 1 January	**304**	342
Additions during the financial year	**1,019**	1,456
Recognition of income during the financial year	**(926)**	(1,494)
At 31 December	**397**	304
Analysed as:		
- Current	**397**	304

(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 2022, no revenue was recognised in relation to this contract. Addition during the year was related to deposits received from customer.

(iii) The Group entered into contracts with customers for the supply of medicines. Advance payments were received from customers in prior year; however, revenue will only be recognised upon satisfaction of performance obligations through delivery of medicines to customers. During the year, a total of RM2,131,000 (2021: nil) was recognised as revenue upon delivery of the medicines.

31 CONTRACT LIABILITIES (CONTINUED)

(b) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations arising from contract with customers.

		Group
	2022	**2021**
	RM'000	**RM'000**
Aggregate amount of transaction price allocated to contracts that are partially unsatisfied as at 31 December	**157,865**	159,903

Management expects that the unsatisfied contracts as at 31 December 2022 will be recognised as revenue in next financial year, 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.

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2022						
Revenue						
External sales	2,514,598	12,838	983,241	-	-	3,510,677
Inter-segment sales	-	313,450	-	-	(313,450)	-
Total revenue	2,514,598	326,288	983,241	-	(313,450)	3,510,677
Results						
Earnings/(Loss) before interest, taxation, depreciation and amortisation	50,064	(520,127)	(21,743)	(13,477)	-	(505,283)
Depreciation and amortisation	(11,417)	(16,814)	(8,204)	-	-	(36,435)
Finance costs	(50,517)	(12,553)	(12,842)	-	35,874	(40,038)
Interest income	36,249	490	45	-	(35,874)	910
Profit/(Loss) before zakat and taxation	24,379	(549,004)	(42,744)	(13,477)	-	(580,846)
Zakat	(209)	-	-	-	-	(209)
Taxation	(21,077)	(1,577)	(1,341)	-	-	(23,995)
Net profit/(loss) for the financial year	3,093	(550,581)	(44,085)	(13,477)	-	(605,050)

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution	Manufacturing	Indonesia	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2022					
Other information					
Segment assets	**2,649,530**	**1,320,621**	**438,227**	**(2,589,617)**	**1,818,761**
Segment liabilities	**2,283,610**	**844,606**	**365,156**	**(1,447,255)**	**2,046,117**
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	**21,860**	**65,183**	**8,920**	**-**	**95,963**
Impairment of slow moving and obsolete inventories	**10,463**	**559,217**	**2,013**	**-**	**571,693**
Impairment loss on intangible assets	**-**	**-**	**50,274**	**-**	**50,274**
Share-based expenses	**1,206**	**886**	**-**	**-**	**2,092**
Non-cash (income)/expenses	**(288)**	**7,074**	**1,438**	**-**	**8,224**

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
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

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution	Manufacturing	Indonesia	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
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

32 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets excluding deferred tax assets RM'000
Geographical markets		
2022		
Malaysia	2,518,999	556,265
Indonesia	983,698	47,330
Other countries	7,980	-
	3,510,677	603,595
2021		
Malaysia	3,913,475	558,848
Indonesia	893,079	44,755
Other countries	8,461	-
	4,815,015	603,603

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 RM2.4 billion (2021: RM3.6 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).

33 CAPITAL COMMITMENTS

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

		Group
	2022	**2021**
	RM'000	**RM'000**
Authorised and contracted for:		
- acquisition of property, plant and equipment	**35,627**	66,950
Authorised but not contracted for:		
- acquisition of property, plant and equipment	**217,413**	295,020

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other related party transactions and balances:

		Group		Company	
		2022	**2021**	**2022**	**2021**
		RM'000	**RM'000**	**RM'000**	**RM'000**
(a)	Immediate holding company				
	Expenses				
	• Management fees	**(308)**	(290)	**(308)**	(290)
	• Corporate and administrative support services	**(991)**	(571)	**-**	-

		Group	
		2022	**2021**
		RM'000	**RM'000**
(b)	Subsidiaries of the immediate holding company		
	Expenses		
	• Travelling and accommodation	**(2,511)**	(857)
	• Provision of insurance	**(3,569)**	(467)
	• Freight forwarding and transportation services	**(20,589)**	(14,992)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

		Company	
		2022	2021
		RM'000	RM'000
(c)	Subsidiaries		
	Income		
	• Interest income on advances to a subsidiary	**20,081**	7,171
	• Dividend income from subsidiaries	**37,400**	13,500
	• Management fees charged to subsidiaries	**12,902**	35,653
(d)	Payment of expenses made on behalf:		
	• by subsidiaries	**17,124**	12,944
	• for subsidiaries	**(1,942)**	(3,889)

(e) Remuneration of key management personnel

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Salaries, bonuses and allowances	**8,451**	9,625	**7,557**	9,566
Social contribution costs	**9**	12	**7**	12
Defined contribution plan	**1,161**	1,423	**1,109**	1,423
Estimated monetary value of benefits by way of usage of Group assets	**59**	221	**59**	221
Share-based expenses	**248**	162	**248**	162
Fees	**1,052**	1,042	**916**	824
	10,980	12,485	**9,896**	12,208

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.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Government-related entities (continued)

On 16 March 2011, Pharmaniaga Logistics Sdn. Bhd. ("PLSB"), a wholly-owned subsidiary has entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health, Malaysia ("MOH") for a period of ten (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.

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.

On 29 December 2022, PLSB has received a letter from MOH informing that *Jawatankuasa Kerjasama Awam Swasta* ("JKAS") has agreed to extend the Interim Period for the provision of medicines and medical supplies to MOH facilities for an additional period of 6 months up to 30 June 2023, pending the finalisation of the new concession agreement.

Subsequently, on 7 April 2023, the MOH issued a letter stating that, based on collaboration with the *Unit Kerjasama Awam Swasta*, Prime Minister Office, a new concession agreement for a period of ten (10) years, for the right and authority to procure, store and supply the Approved Products to the Public Sector Customers, is expected to come into effect from 1 July 2023. The new concession agreement is subject to the approval of the Cabinet of Malaysia. The MOH expects that PLSB will always ensure that the supply of drugs and non-drugs under this concession is not disrupted and thus ensure the delivery of health and medical services to the people of Malaysia. In addition, the Minister of Health announced during a press conferess that the MOH decided to continue the concession with PLSB on 18 April 2023.

	Group	
	2022	**2021**
	RM'000	**RM'000**
Sale of goods to government-related entities	**2,372,593**	3,584,324
Amounts due from government-related entities	**12,366**	44,562

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Significant outstanding balances

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts due from				
- Subsidiaries	**-**	-	**286,953**	243,306
- Related companies	**13**	31	**-**	-
Amounts due to				
- Immediate holding company	**687**	1,208	**382**	1,096
- Subsidiaries	**-**	-	**385,748**	303,413
- Related companies*	**7,671**	4,890	**40**	44

* The related companies are subsidiaries of the immediate holding company and are included in Note 21.

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.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022, if the functional currency had weakened/strengthened by 5% (2021: 5%) against EURO with all other variables held constant, post tax loss and deficit equity for the financial year would have been higher/lower by RM152,000 (2021: post tax and equity profit lower/higher by RM55,000) mainly as a result of foreign exchange losses/gains on translation of EURO denominated trade receivables and trade payables.

As at 31 December 2022, if the functional currency had weakened/strengthened by 5% (2021: 5%) against US Dollar with all other variables held constant, post tax loss and deficit equity for the financial year would have been higher/lower by RM394,000 (2021: post tax and equity profit lower/higher by RM46,000) 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 2022, if the functional currency had weakened/strengthened by 5% (2021: 5%) against RMB with all other variables held constant, post tax loss and deficit equity for the financial year would have been lower/higher by RM283,000 (2021: post tax profit and equity higher/lower by RM204,000) 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 2022, if the functional currency had weakened/strengthened by 5% (2021: 5%) against the IDR with all other variables held constant, the impact on equity would have been approximately higher/lower by RM2,857,000 (2021: RM2,687,000) 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.

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:

	2022		
	RMB	**US Dollar**	**Euro**
	RM'000	**RM'000**	**RM'000**
Trade receivables	**-**	**2,383**	**-**
Deposits, cash and bank balances	**7,441**	**904**	**-**
Trade payables	**-**	**(13,168)**	**(3,445)**
Other payables	**-**	**(477)**	**(560)**
	7,441	**(10,358)**	**(4,005)**

			2021
	RMB	**US Dollar**	**Euro**
	RM'000	**RM'000**	**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)

(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.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk (continued)

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 2022, if interest rates on Ringgit Malaysia denominated borrowings of the Group and of the Company had been 50 (2021: 50) basis points lower/higher with all other variables held constant, post tax loss for the financial year of the Group and of the Company would have been lower/higher by RM3,393,000 (2021: post tax profit higher/lower by RM2,324,000) and RM258,000 (2021: post tax profit higher/lower by RM583,000) respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2022, if interest rates on Indonesian Rupiah denominated borrowings of the Group had been 50 (2021: 50) basis points lower/higher with all other variables held constant, post tax loss for the financial year of the Group would have been lower/higher by RM608,000 (2021: post tax profit higher/lower by RM514,000) respectively, mainly as a result of lower/higher interest expense.

(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.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(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 2022, the Group recognised loss allowance of RM853,000 (2021: RM4,212,000) for receivables that are past due by 3 months and above.

There are no significant concentration of credit risk in respect to government-linked companies ("GLCs") of the Group. 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.

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 2022						
Gross carrying amount	**219,774**	**27,140**	**4,225**	**16,837**	**4,196**	**272,172**
Expected loss rate	**0.0%**	**0.3%**	**3.0%**	**35.8%**	**100.0%**	**3.8%**
Loss allowance	**-**	**(75)**	**(126)**	**(6,024)**	**(4,196)**	**(10,421)**
Carrying amount (net of loss allowance)	**219,774**	**27,065**	**4,099**	**10,813**	**-**	**261,751**
At 31 December 2021						
Gross carrying amount	170,511	17,677	34,491	15,524	3,156	241,359
Expected loss rate	0.0%	0.6%	0.4%	65.2%	100.0%	5.6%
Loss allowance	-	(103)	(139)	(10,112)	(3,156)	(13,510)
Carrying amount (net of loss allowance)	170,511	17,574	34,352	5,412	-	227,849

The reconciliation of loss allowance for trade receivables is disclosed in Note 17.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Other receivables and amounts due from subsidiaries

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.

The reconciliation of loss allowance for other receivables and amounts due from subsidiaries are disclosed in Notes 18 and 19 respectively.

(c) Liquidity risk

Cash flow forecasting is performed 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.

The Group's and the Company's current liabilities exceeded their current assets by RM632,109,000 and RM411,240,000 (2021: RM243,762,000), respectively. As at that date, the Group and the Company did not meet financial covenants for certain borrowings as disclosed in the Note 26 to the financial statements. Due to this breach of the covenant clauses, the banks are contractually entitled to request for immediate repayment of the Group's and the Company's outstanding borrowings amount of RM331.4 million and RM25.0 million respectively, presented as current liabilities as at 31 December 2022.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements for the financial year ended 31 December 2022 were approved by the Board of Directors. In order to ensure that the Group and the Company would have sufficient cash flows within the next 24-month period ending 31 December 2024 to repay the existing borrowings and meet working capital, the Directors expect that the new concession for the right and authority to procure, store and supply the Approved Products to the Public Sector Customers will come into effect from 1 July 2023, upon receiving all necessary government approvals. This concession is expected to enable the continuation of facilities extended by the banks to fund the operations and enable the Group and 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.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months* RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Group				
At 31 December 2022				
Borrowings	**715,615**	**258,115**	**39,419**	**163,530**
Lease liabilities	**1,231**	**4,031**	**4,169**	**101**
Trade payables	**648,019**	**-**	**-**	**-**
Other payables	**147,014**	**-**	**-**	**-**
Amount due to immediate holding company	**688**	**-**	**-**	**-**
Amounts due to related companies	**7,671**	**-**	**-**	**-**
Dividend payable	**7,859**	**-**	**-**	**-**
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	-	-	-

** Consists of RM331.4 million borrowings as at 31 December 2022 that is payable on demands*

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				
At 31 December 2022				
Borrowings	**40,172**	**44,973**	**39,357**	**60,846**
Other payables	**5,897**	**-**	**-**	**-**
Amount due to immediate holding company	**382**	**-**	**-**	**-**
Amounts due to related companies	**40**	**-**	**-**	**-**
Amounts due to subsidiaries	**385,788**	**-**	**-**	**-**
Dividend payable	**7,859**	**-**	**-**	**-**
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	-	-	-

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) Financial instruments by category

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at amortised cost				
Trade receivables	**261,751**	227,849	**-**	-
Other receivables (net of VAT recoverable and prepayments)	**11,921**	8,762	**45**	29
Deposits, cash and bank balances	**52,849**	52,359	**5,020**	1,291
Amounts due from subsidiaries	**-**	-	**286,953**	243,306
Amounts due from related companies	**13**	31	**-**	-
Financial liabilities at amortised cost				
Borrowings	**1,158,899**	855,226	**181,000**	133,000
Lease liabilities	**9,193**	1,634	**-**	-
Trade payables	**648,019**	677,633	**-**	-
Other payables	**147,014**	175,885	**5,897**	18,417
Amount due to immediate holding company	**688**	1,208	**382**	1,096
Amounts due to related companies	**7,671**	4,890	**40**	44
Amounts due to subsidiaries	**-**	-	**385,788**	303,413
Dividend payable	**7,859**	-	**7,859**	-

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.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

The gearing ratios are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings (Note 26)	**1,158,899**	855,226	**181,000**	133,000
Total equity attributable to equity holders of the Company	**(248,742)**	450,462	**298,300**	382,236
Gearing ratio (times)	**(4.7)**	1.9	**0.6**	0.3

Under the terms of certain borrowing facilities undertaken by the Group and the Company during the financial year are subjected to covenant clauses, whereby 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 DSCR, calculated as ratio of 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 consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities;
- 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 DSCR 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 more than 3.

The Group and the Company did not meet financial covenants for certain borrowings as at 31 December 2022 as disclosed in the Note 26 to the financial statements. Due to this breach of the covenant clauses, the banks are contractually entitled to request for immediate repayment of the Group's and the Company's outstanding borrowings amount of RM331.4 million and RM25.0 million respectively, presented as current liabilities as at 31 December 2022.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors. The Directors expect that the new concession for the right and authority to procure, store and supply the Approved Products to the Public Sector Customers will come into effect from 1 July 2023, upon receiving all necessary government approvals. This concession is expected to enable the continuation of facilities extended by the banks to fund the operations of the Group and the Company.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

36 SUBSEQUENT EVENTS

a. On 27 February 2023, the Directors of the Company announced that the Group had triggered the prescribed criteria under Paragraph 2.1(a) of Practise Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), as the shareholders' equity of the Group is less than RM40.0 million and is 25% or less of its issued and paid-up capital as at 31 December 2022.

b. On 3 March 2023, Al-Rahji Bank issued a supplementary letter of notification indicating that it had decided to cancel one of the borrowing facilities, which had amounted to RM25 million and was due according to the initial schedule. The bank did not grant indulgence for the debt covenant breach as of 31 December 2022.

c. On 6 March 2023, Hong Leong Islamic Bank informed that all facilities were suspended with immediate effect, and the outstanding facilities were to be settled on their respective due/maturity dates. Subsequently, on 31 March 2023, Hong Leong Islamic Bank agreed to allow the utilization of the Facility up to RM50.0 million to finance sales only, subject to conditions stipulated in the said letter.

d. On 21 March 2023, the Group obtained indulgence for non-compliance with the financial covenant relating to the net worth of the Group, with a borrowing balance of RM96.5 million from Bank Muamalat Malaysia Berhad. Subsequently, on 4 April 2023, United Oversea Bank (Malaysia) Bhd issued a letter of notification indicating that the Group was allowed to continue utilizing the borrowing facilities subject to the conditions stipulated in the letter of notification.

e. On 7 April 2023, the MOH issued a letter stating that, based on collaboration with the *Unit Kerjasama Awam Swasta*, Prime Minister Office, a new concession agreement for a period of ten (10) years, for the right and authority to procure, store, and supply the Approved Products to the Public Sector Customers, was expected to come into effect from 1 July 2023. The MOH expects that PLSB will always ensure that the supply of drugs and non-drugs under this concession is not disrupted and thus ensure the delivery of health and medical services to the people of Malaysia. In addition, Minister of Health announced that the MOH decided to continue the concession with PLSB on 18 April 2023.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2023.

SHAREHOLDINGS STATISTICS

as at 31 March 2023

SIZE OF SHAREHOLDINGS	NO OF HOLDERS	%	NO OF SHARES	%
LESS THAN 100	595	2.844	12,288	0.000
100 TO 1,000	2,743	13.111	1,681,444	0.128
1,001 TO 10,000	10,613	50.731	56,113,424	4.282
10,001 TO 100,000	6,227	29.765	198,696,719	15.165
100,001 TO LESS THAN 5% OF ISSUED SHARES	740	3.537	261,669,890	19.971
5% AND ABOVE OF ISSUED SHARES	2	0.009	792,034,895	60.451
TOTAL	**20,920**	**100.00**	**1,310,208,660**	**100.00**

30 LARGEST SHAREHOLDERS

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD *ACCOUNT NON-TRADING*	679,152,075	51.835
2	LEMBAGA TABUNG ANGKATAN TENTERA	112,882,820	8.615
3	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DASAR TECHNOLOGIES SDN BHD (CTS-DTS0002C)*	9,750,000	0.744
4	LEW U SING	8,280,000	0.631
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)*	6,100,000	0.465
6	YONG SIEW YOON	4,056,820	0.309
7	PUBLIC GOLD MARKETING SDN BHD	3,900,000	0.297
8	LEMBAGA TABUNG AMANAH MELAKA	3,500,000	0.267
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN (TJJ/KEN)*	3,499,000	0.267
10	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CELESTE RESOURCES SDN BHD (M)*	3,001,400	0.229
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR AHMAD JOHARI BIN ABDUL RAZAK (PB)*	3,000,000	0.228
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TENG CHI LIK (E-PDG)*	3,000,000	0.228
13	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *YAYASAN LTAT*	2,981,000	0.227
14	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AGROBULK HOLDINGS SDN BHD*	2,643,800	0.201
15	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	2,595,215	0.198
16	TANG & CO SDN. BHD.	2,400,000	0.183

SHAREHOLDINGS STATISTICS

as at 31 March 2023

	Name of shareholders	No. of shares	%
17	MAYBANK INVESTMENT BANK BERHAD *IVT (16)*	2,138,300	0.163
18	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CELESTE ASSETS SDN BHD*	2,000,000	0.152
19	MAZLAN BIN MOHD NOOR	1,634,300	0.124
20	KENANGA NOMINEES (TEMPATAN) SDN BHD *RAKUTEN TRADE SDN BHD FOR LOR HUAI YUAN*	1,600,000	0.122
21	LIM YIN PENG	1,500,000	0.114
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GUNASEKAR A/L VEERAPPAN*	1,500,000	0.114
23	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	1,450,000	0.110
24	CHONG TONG SIEW	1,435,000	0.109
25	MOHAMAD RIDZHUAN FIRDAUS MAULA RAJA AZNIN	1,417,900	0.108
26	SYED IDRUS BIN SYED ALWI	1,400,000	0.106
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW (KUCHING-CL)*	1,300,000	0.099
28	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUA KUANG*	1,230,070	0.093
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NGUI KON FOH @ DAVID NGUI TET SHIUNG (8040561)*	1,200,000	0.091
30	HSBC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-TEMP)*	1,180,000	0.090
	TOTAL	**871,727,700**	**66.533**

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS

Size of Holdings	No. of shares direct	%
Boustead Holdings Berhad		
Account Non-Trading	679,152,075	51.835
Lembaga Tabung Angkatan Tentera	112,882,820	8.615

INFORMATION ON DIRECTORS HOLDINGS

	No of Shares Held in Pharmaniaga Berhad	
Name of Directors	**Direct**	**%**
IZADDEEN DAUD	–	–
DR. ABDUL RAZAK AHMAD	–	–
YB SENATOR DATUK DR. HAJI AZHAR AHMAD	–	–
SARAH AZREEN ABDUL SAMAT	–	–
DATUK LIM THEAN SHIANG	–	–
DR. MARY JANE CARDOSA	–	–
AHMAD SHAHREDZUAN MOHD SHARIFF	–	–

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / 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	28	21,862	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	25	13,110	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	8	2,999	3 October 2014

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / Acquisition
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	8	1,738	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	7	19,966	9 September 2015
Geran 44309 of Lot 7, Mukim Pekan Puchong Perdana, Daerah Petaling, Selangor Darul Ehsan **Factory:** No 7, Jalan PPU 3, Taman Perindustrian Puchong Utama, 47100 Puchong, Selangor Darul Ehsan	An industrial land with a main 2-storey detached factory industrial building with a 3-storey office/ laboratory section at the back and a single storey warehouse section at the front, a cafeteria/surau building, a fire pump room/cold water pump room, an inflammable store/ refuse chamber, chiller, boiler house, waste water treatment and a guard house	28,041	Freehold	22	49,070	21 August 2001

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / Acquisition
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	37	11,568	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,	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	26	5,336	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	20	2,541	21 January 2002

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / 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 11/2 semi-detached warehouses with office	2,175	Freehold	25	825	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	29	*0	10 June 1993 and 19 July 1995
Flat No. 501, 503, 505 and 507, 4th Floor, Block 10, Jalan 6C/11, Section 16, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	4 units of 2-bedroom flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	29	*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	36	*0	4 September 1987

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / Acquisition
Lot PR 10911, HS (M) 9127, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan House: No 11, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	36	*0	4 September 1987
Lot 0111111, No. HM 144/1977 & Lot PT 0000102, No. HM 237/1984, Mukim Sungai Pasir, Sungai Petani, Kedah Darul Aman Factory: Lot 24 & 25, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, chiller, boiler house, purified water system, waste water treatment and solar system	40,469	Leasehold of 99 years, expiring on 1 January 2083	45	13,649	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	26	24,473	1 June 2009

GROUP PROPERTY LIST

as at 31 March 2023

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 at as 31/12/2022 (RM'000)	Date of Revalutuation / Acquisition
Blok D, 20 & 21, Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	453	Freehold 23 years to 2 June 2036	20	11,568	13 October 2003
Blok D 19, Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	204	Freehold	5	402	14 November 2017
Jalan Depsos, 67 – 70 Bintaro, Jaksel, Jakarta, Indonesia	Office and warehouse	1,860	Freehold 30 years to 7 July 2028	23	878	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan, 152 Surabaya, Indonesia	Office and warehouse	1,133	Leasehold 5 years to 24 July 2021	41	53	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	6	889	10 November 2016
Jalan Peundeuy, RT/RW 04/07, Desa Bojongsalam Kecamatan Rancaekek, Kabupaten Bandung, Indonesia	An industrial land with office, warehouse, guard house and electricity sub-station	16,492	Leasehold of 30 years to 01 October 2043	38	7,275	08 May 1994

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

Idaman Pharma Manufacturing Sdn Bhd
(Sungai Petani Branch)
Lot No. 24 & 25, Jalan Perusahaan 8
Bakar Arang Industrial Estate
08000 Sungai Petani
Kedah Darul Aman
Tel : +604-4213 011
Fax : +604-4215 731

Idaman Pharma Manufacturing Sdn Bhd
(Seri Iskandar Branch)
Lot 120, Taman Farmaseutikal
32610 Bandar Seri Iskandar
Perak Darul Ridzuan
Tel : +605-371 2020
Fax : +605-371 1940/1950

Pharmaniaga LifeScience Sdn Bhd
Lot 7, Jalan PPU 3
Taman Perindustrian Puchong Utama
47100 Puchong
Selangor Darul Ehsan
Tel : +603-8061 2006
Fax : +603-8061 2875

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

Pharmaniaga Logistics Sdn Bhd
(Juru Branch)
1, 3 & 5, Lorong IKS Juru 8
Taman Perindustrian Ringan Juru
14100 Simpang Ampat Seberang Prai, Pulau Pinang
Tel : +604-508 3330/1/2
Fax : +604-508 3111

Pharmaniaga Logistics Sdn Bhd
(Kuching Branch)
Lot 1024, Block 7 Muara Tebas
Land District
Demak Laut Industrial Park
93050 Kuching, Sarawak
Tel : +6082-432 800
Fax : +6082-432 806

Pharmaniaga Logistics Sdn Bhd
(Kota Kinabalu Branch)
Lorong Kurma Kolombong
Industrial Centre
KM 9 Off Jalan Tuaran
88450 Kolombong Kota Kinabalu, Sabah
Tel : +6088-439 188
Fax : +6088-437 288

Paradigm Industry Sdn Bhd
No. 36-G
Jalan Klang Sentral 2/KU5
Klang Sentral
41050 Klang
Selangor Darul Ehsan
Tel : +603-3358 6760
Fax : +603-3362 6761

PT Millennium Pharmacon International Tbk (HQ)
Crown Bungur Arteri 2-4th Floors
Jl. Sultan Iskandar Muda No. 18
Jakarta, 12240 Indonesia
Tel : +62-21 2708 5961
Fax : +62-21 2708 5958

PT Errita Pharma
(Bandung)
Jalan Peundeuy, RT/RW 04/07
Desa Bojongsalam
Kecamatan Rancaekek
Kabupaten Bandung, Indonesia
Tel : +62-22 7949 062/4
Fax : +62-22 7949 063

PHARMANIAGA BERHAD
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

www.pharmaniaga.com