pharmaniaga

Integrity
Towards Excellence

annual report 2013

rationale

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

inside this report

_Performance Highlights

Our fundamentals remained strong during this volatile year. We continue to build our people and their capabilities to achieve our goal of improving growth in revenue and profits.

Revenue	RM1.9b
Earnings Per Share	21.3sen
Profit Before Taxation	RM93m
Net Dividend Per Share	16.0sen

_About Us

Pharmaniaga Berhad is one of the largest integrated local healthcare companies in Malaysia. We are a public listed company on the main market of Bursa Malaysia Securities Berhad with a paid up share capital of RM129.4 million. Pharmaniaga's principal activities include manufacturing of generic pharmaceuticals, logistics & distribution, sales & marketing, supply of medical products & services including hospital equipment and trading & wholesaling of consumer products.

The essence of Pharmaniaga is the seamless amalgamation of these areas of businesses. The integrated group of companies, processes and people uphold our commitment to deliver quality products and services at all times.

Our commitment to enriching life together is guided by our passion for patients and our philosophy of doing business with conscience; a philosophy we will continue to nurture as we journey towards becoming a global total integrated healthcare solutions provider.


citrex
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citrex
citrex
citrex
Chocolate
Orange

_Our Core Values

RITE

RESPECT

Dignity

Trust

Open-mindedness

Fairness

Honour

INTEGRITY

Conscience

Truthfulness

Accountability

Sincerity

TEAMWORK

Unity

Commitment

Harmony

Co-operation

Collaboration

EXCELLENCE

Professionalism

Pride

Competitiveness

Proactiveness

Courage

_Vision & Mission

vision

The preferred pharmaceutical brand in regional markets

mission

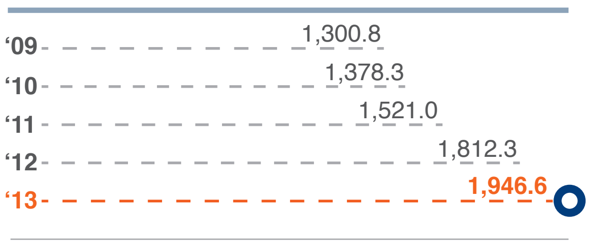
Provide quality products and superior services by professional, committed and caring employees

_Five-Year Financial Highlights

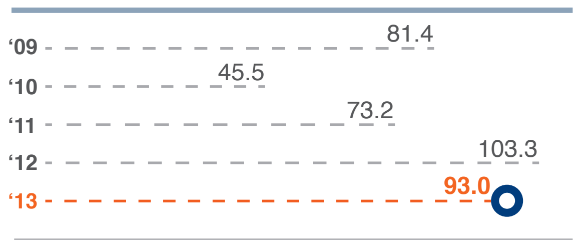
All figures are in RM Million unless otherwise stated		2013	2012	2011	2010	2009
FINANCIAL PERFORMANCE						
Revenue		**1,946.6**	1,812.3	1,521.0	1,378.3	1,300.8
Profit before taxation		**93.0**	103.3	73.2	45.5	81.4
Profit after taxation		**56.8**	63.2	52.8	30.3	61.7
Net attributable profit		**55.2**	61.7	52.2	30.4	60.2
Earnings per share*	sen	**21.3**	23.8	20.2	11.7	23.3
Return on equity	%	**11.5**	13.2	11.8	7.1	14.7
Return on assets	%	**9.2**	10.0	8.0	6.1	10.6
Return on revenue	%	**5.5**	6.5	5.1	3.6	6.6
DIVIDENDS						
Dividend payout	%	**75.1**	66.8	61.1	26.3	49.3
Dividend payment		**41.5**	41.2	31.9	8.0	29.7
Net dividend per share*	sen	**16.0**	15.9	12.3	3.1	11.5
Dividend yield - net of tax	%	**3.6**	4.3	4.7	1.4	6.3
Dividend cover	times	**1.3**	1.5	1.6	3.8	2.0
GEARING						
Borrowings		**199.9**	341.0	188.3	33.1	65.5
Gearing	times	**0.4**	0.7	0.4	0.1	0.2
Interest cover	times	**7.3**	7.9	18.6	12.2	19.2
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	**188**	182	180	163	166
Price earning ratio	times	**20.9**	15.4	13.3	21.1	8.6
Paid up share capital		**129.4**	117.7	117.7	107.0	107.0
Shareholders' equity		**487.6**	472.0	466.0	421.6	430.6
Total equity		**503.3**	487.9	481.7	437.0	446.3
Total assets		**1,111.1**	1,222.8	1,133.5	801.9	818.2

* *The Earnings Per Share, Net Dividend Per Share and Net Assets Per Share had been adjusted retrospectively to reflect the Company's share split and bonus issue which were completed on 5 June 2013. In addition, Net Assets Per Share and Return On Equity for the financial years ended 31 December 2009, 2010 and 2011 had been restated to reflect the retrospective adjustments arising from the adoption of Malaysian Financial Reporting Standards.*

REVENUE
(RM Million)

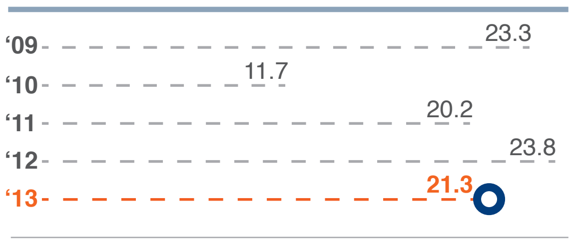


PROFIT BEFORE TAXATION
(RM Million)

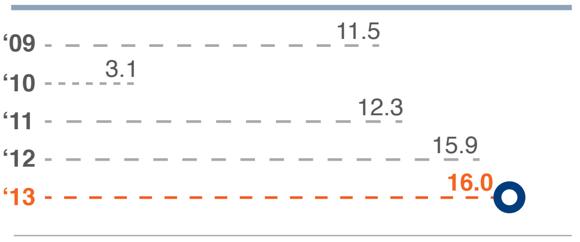


SHAREHOLDERS' EQUITY
(RM Million)

EARNINGS PER SHARE
(Sen)



NET DIVIDEND PER SHARE
(Sen)



NET ASSETS PER SHARE
(Sen)

_Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Non-Independent Non-Executive Chairman

Dato' Farshila Emran
Managing Director

Mohd Suffian Haji Haron
Senior Independent Non-Executive Director

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah *(Retired)*
Independent Non-Executive Director

Daniel Ebinesan
Non-Independent Non-Executive Director

Izzat Othman
Independent Non-Executive Director

COMPANY SECRETARY

Suriati Ashari (LS 0009029)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market - Trading/Services

REGISTERED ADDRESS

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

BUSINESS ADDRESS

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

PRINCIPAL BANKERS

Affin Islamic Bank Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad
The Bank of Nova Scotia Berhad

AUDITORS

Messrs. PricewaterhouseCoopers
(AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
(118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-2264 3883
Fax : +603-2282 1886

_Financial Calendar

FINANCIAL YEAR

1 January 2013 to
31 December 2013

RESULTS

First quarter

Announced
15 May 2013

Second quarter

Announced
16 August 2013

Third quarter

Announced
19 November 2013

Fourth quarter

Announced
24 February 2014

ANNUAL REPORT

Issued
11 March 2014

ANNUAL GENERAL MEETING

To be held
2 April 2014

DIVIDENDS

First interim

Announced
15 May 2013

Entitlement date
3 June 2013

Payment date
28 June 2013

Second interim

Announced
16 August 2013

Entitlement date
3 September 2013

Payment date
24 September 2013

Third interim

Announced
19 November 2013

Entitlement date
5 December 2013

Payment date
24 December 2013

Fourth interim

Announced
24 February 2014

Entitlement date
12 March 2014

Payment date
2 April 2014

_Board of Directors

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman

Dato' Farshila Emran
Managing Director

Mohd Suffian Haji Haron

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

Daniel Ebinesan

Izzat Othman

_Profile of Directors

Tan Sri Dato' Seri Lodin Wok Kamaruddin

Chairman

Non-Independent Non-Executive Director

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

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

Tan Sri Dato' Seri Lodin graduated from The University of Toledo, Ohio, United States of America with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in not only managing a provident fund but also in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development to oil and gas, pharmaceuticals and shipbuilding.

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

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

Dato' Farshila Emran

Managing Director

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

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

Dato' Farshila has vast experience and knowledge in developing and managing businesses in various fields. Prior to founding Idaman Pharma Manufacturing Sdn Bhd, she was an Assistant Representative of SEVES Sediver France from 1990 to 1995, a public listed high voltage transmission line equipment company in France, where she carried out her role with distinction. Due to her exemplary calibre, she was later made a Representative of that company for Malaysia until 2001. For the past 12 years, Dato' Farshila has made great strides in the pharmaceutical industry in leading successful acquisitions of various manufacturing plants, which had in turn contributed well to the socio economic development in the country.

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

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

In 2013 Dato' Farshila Emran was conferred the "MBA Industry Excellence Award – Health Services" by The ASEAN Business Advisory Council Malaysia, for her monumental contribution to the advancement of Malaysian business as a whole, exceptional demonstration of stewardship of a business as well as continually sustaining the success of the Pharmaniaga Group.

_Profile of Directors

Daniel Ebinesan

**Non-Independent
Non-Executive Director**

Daniel Ebinesan, Malaysian, sixty eight years of age, was appointed to the Board of Pharmaniaga Berhad on 25 March 2011. He is also a member of the Audit Committee.

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

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

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

Mohd Suffian Haji Haron

Senior Independent Non-Executive Director

Mohd Suffian Haji Haron, Malaysian, sixty eight years of age, was appointed to the Board of Pharmaniaga Berhad on 29 April 2011. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

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

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

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

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

Independent Non-Executive Director

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

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

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

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

Currently he is the Director of Hospital and Clinical Services and Professor of Public Health, Allianze University College of Medical Sciences (AUCMS).

Izzat Othman

Independent Non-Executive Director

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

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

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

He is currently a director of PT Milennium Pharmacon International Tbk. Indonesia and Boustead Plantations Berhad.

Note :

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

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

_Senior Management Team

Mohamed Iqbal Abdul Rahman
Chief Operating Officer

Dato' Farshila Emran
Managing Director

Norai'ni Mohamed Ali
Chief Financial Officer

Datin Shamsinar Haji Shaari
Director, Manufacturing

Abdul Malik Mohamed
Director, Logistics & Distribution

Sharifah Fauziyah Syed Mohthar
Director, Regulatory Affairs & Customer Care

Suriati Ashari
Director, Corporate Services

Jamaludin Elis
Director, Commercial

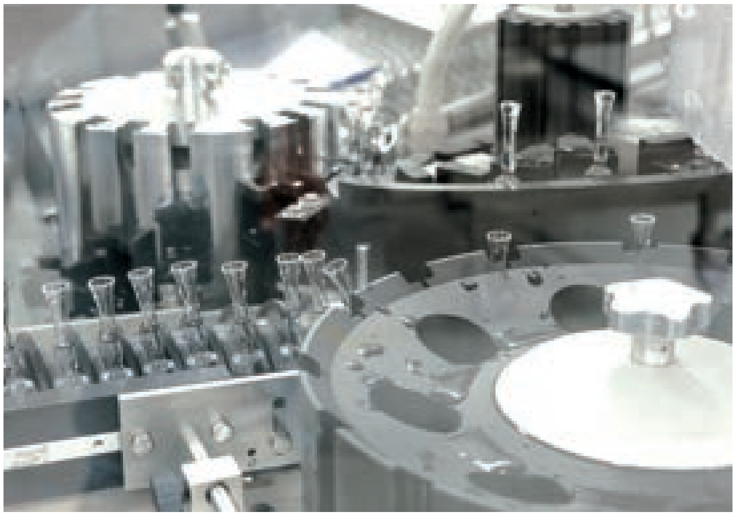
_Chairman's Statement

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

DEAR SHAREHOLDERS,

We are continuing to build on our strong foundation as we strengthen areas of growth and improve operational efficiencies. However, 2013 was a challenging year for Pharmaniaga Berhad (Pharmaniaga) mainly due to higher operating costs. Despite this, results were still satisfactory as we achieved a profit before tax of RM93 million compared with RM103 million in the previous financial year.

We were able to forge ahead in our quest to maintain our role as a leader in Malaysia's pharmaceutical sector. On this note, I am pleased to present you with our annual report for the financial year ended 31 December 2013.



ECONOMIC LANDSCAPE

The global pharmaceutical industry experienced moderate growth in 2013. This was largely driven by increased demand for healthcare, particularly in emerging markets. In contrast, growth slowed in developed markets such as the United States and Europe due to the unstable economic climate as well as healthcare austerity measures.

In Malaysia, over the past decade the pharmaceutical sector has steadily grown at an annual rate of 8% to 10%. This rapid pace continued in 2013 as local demand was spurred by higher consumer spending, chiefly in the expanding middle income group. The rising incidence of non-communicable diseases such as diabetes, cancer and heart ailments also acted as a catalyst for the industry.

On the back of this robust demand, there still lies much untapped potential for the Group. As testament to this, development of the pharmaceutical industry was identified as one of the Entry Point Projects under the Government's Economic Transformation Programme. Coupled with a substantial allocation in Budget 2014 for the healthcare sector, it is clear that growth of this sector will support the Government's aspiration of improving the healthcare ecosystem for Malaysians with a view to achieving the nation's aspirations of becoming a high-income economy. Against this backdrop it is crucial that we expand our capabilities to cater for this demand and capture the widening market for pharmaceutical products and medicines, not only in Malaysia but internationally.

Over the past decade the pharmaceutical sector has steadily grown at an annual rate of 8% to 10%

Our focus is to improve operational excellence, strengthen our balance sheet and position ourselves as a viable participant of the pharmaceutical sector

FINANCIAL PERFORMANCE

Revenue for the year grew to RM1.9 billion, representing a 7% increase from RM1.8 billion in the previous year. This improvement was due to strong contributions from the non-concession business and organic growth in the concession business, as well as new tenders awarded to Pharmaniaga.

We recorded a profit after tax of RM57 million for the year compared with RM63 million in the last financial year. The dip in profits was due to amortisation and provisions for doubtful debts. Earnings per share was 21.3 sen (2012: 23.8 sen) and net asset per share was RM1.88 (2012: RM1.82). Shareholders' funds rose to RM488 million at the close of the financial year compared with RM472 million the previous year. Our gearing has dropped to 0.4 in 2013 from 0.7 in 2012, reflective of better management of inventory and receivables.

DIVIDEND

In line with our steadfast commitment to deliver value to our shareholders, the Board declared a fourth interim dividend of 6.2 sen per share which will be paid on 2 April 2014. This brings total dividends for the year to 16.0 sen, representing a dividend payout ratio of 75% and a dividend yield of 3.6%, based on the closing share price at the end of financial year.

EQUITY STRUCTURE

During the year, we successfully concluded the share split involving the subdivision of every one existing ordinary share of RM1 each into two ordinary shares of 50 sen each. We also completed the bonus issue of new ordinary shares on the basis of one bonus share for every ten subdivided shares held.

It is our intention to assist the investing community in participating in our growth story. As a result of the share split, we are hopeful this will improve the liquidity of Pharmaniaga shares. Our focus is to improve operational excellence, strengthen our balance sheet and position ourselves as a viable participant of the pharmaceutical sector. As we achieve these goals, it is hoped that the investing community will share our aspiration and participate in our prospects.

HUMAN CAPITAL

The calibre of our human capital remains a critical factor in driving the growth of Pharmaniaga. In order to maintain the excellent quality and enhance the abilities of our workforce, we implemented a number of initiatives with the aim of strengthening our talent pool.

These include training programmes to provide our employees with opportunities to develop and refine their capabilities, as well as targeted soft skill programmes to close competency gaps. With these initiatives in place, we are confident our employees will be able to reach their full potential and contribute to the Group's success.

We have also established integrated talent management processes comprising succession planning, identification of potential talent and development of strong leadership potential to cater for Pharmaniaga's future talent needs. In addition to this, as we are part of the Boustead conglomerate, we are instilling the wider Group's core values of Respect, Integrity, Teamwork and Excellence throughout the Pharmaniaga workforce.

OUTLOOK

Strong prospects lie ahead for the Group in the coming year, with the pharmaceutical sector expected to experience growing demand. The Government's Budget 2014 allocation of RM22.1 billion for the healthcare industry certainly bodes well for Pharmaniaga. Our 10-year Concession Agreement with the Ministry of Health (MOH) is set to contribute to our profitability as it extends to 2019, clearly demonstrating the Government's trust in our capabilities.

As we strengthen our concession business with MOH, we are cognisant that the private sector holds vast potential for Pharmaniaga. To this end, we have taken steps to develop this segment of our business, as well as seeking out new opportunities. Our research and development initiatives remain integral to the Group's progress. We have a total of 200 products lined up for development from 2014 to 2024, ensuring our long-term growth in this area.

We are set to expand our international presence in 2014, with the recent acquisition of PT Errita Pharma as our flagship manufacturing plant in Indonesia, along with our existing marketing office in Dubai and the upcoming establishment of our joint venture company with Modern Healthcare Solutions Company Limited in the Kingdom of Saudi Arabia. Further to this, we were awarded with the European Union Good Manufacturing Practice Certificate, which will enable us to manufacture and market injectable products as well as pursue contract manufacturing opportunities for the European markets.

In essence, both from a domestic and international perspective, the building blocks as an impetus to improve our earnings potential have been set in place. We now have to implement stringent cost control measures in light of rising external costs such as hydrocarbon and electricity while keeping a keen eye to improve processes and enhance efficiencies. We will do our utmost to enhance shareholder value along this thread.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

21 February 2014

_Managing Director's Review

DATO' FARSHILA EMRAN
Managing Director

DEAR SHAREHOLDERS,

Having successfully weathered through our third year, I am pleased to note that the dedicated efforts of our talented team have borne fruit, enabling Pharmaniaga to move forward. As we strive to excel in our corporate and social endeavours, the continued trust of our key client the Ministry of Health (MOH) remains a significant factor as we propel the Group towards new heights.

FINANCIAL PERFORMANCE

As a result of our ongoing drive to improve operational efficiencies and grow our businesses, revenue for the year under review increased to RM1.9 billion compared with RM1.8 billion last year.

Profit before tax for the year was RM93 million compared with RM103 million in the previous year. We were impacted by the amortisation of the Pharmacy Information System. Additionally, provision for doubtful debts contributed to the dip in profitability.

profit before tax

RM93m

Our commitment to MOH as our key client has driven us to raise our performance levels, leading to improvements in customer service and stockholding standards

It is crucial to note that we have stayed focused on delivering shareholder value as net dividend for the year was 16.0 sen per share compared with 15.9 sen per share in 2012. Our headline Key Performance Indicators are as follows:

KPI	2013	2012
Return on Equity	**11.5%**	13.2%
Return on Assets	**9.2%**	10.0%
Net Dividend per share	**16.0 sen**	15.9 sen
Delivery Lead Time	**99.5%**	98.5%

Our Logistics & Distribution Division registered a reduced profit before tax of RM21 million compared with RM61 million in the last financial year. This decline was mainly due to the amortisation of development costs for the Pharmacy Information System and provision for doubtful debts.

The concession business remains the core activity for this Division, managing the supply and distribution of pharmaceutical and medical products to MOH. This segment of our business contributed 58% to the Group's revenue, amounting to RM1.12 billion (2012: RM1.10 billion). Our commitment to MOH as our key client has driven us to raise our performance levels, leading to improvements in customer service and stockholding standards. As a result of prudent point of sales management, funds tied to stockholdings improved by 19% to RM323 million.

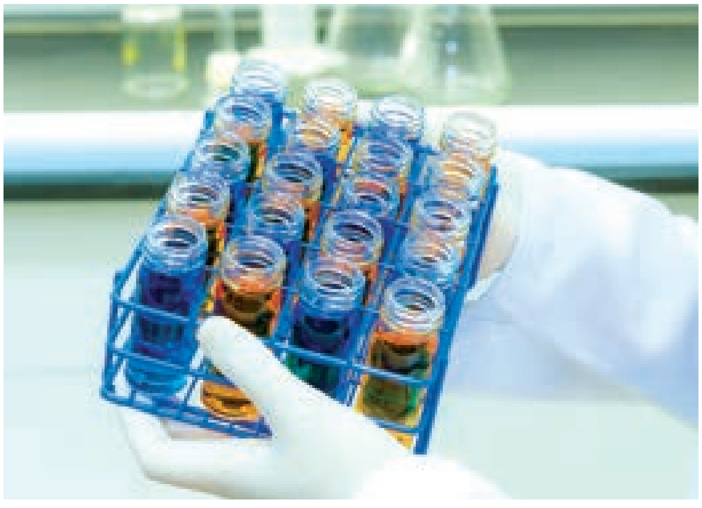
Our non-concession segment demonstrated strong growth contributing 21% to our revenue amounting to RM415 million (2012: RM325 million). This was a result of our dedicated efforts to expand the business in both the public and private sectors.

During the year, we ventured into the retail pharmacy sector with the launch of RoyalePharma Pharmacy. This will allow us to tap into the rising domestic demand in this market.

Capitalising on the vast potential inherent in the Indonesian market, our listed distribution arm PT Millennium Pharmacon International Tbk (MPI) delivered a 21% revenue contribution with RM411 million, compared with RM390 million in the previous year.

Our Manufacturing Division delivered a sterling performance for the year under review, registering a profit of RM72 million, a substantial jump from RM43 million in the previous year. In order to improve our pole position, we took steps to maintain our competitive advantage via enhancement initiatives at our five plants with the aim of optimising production efficiencies and minimising costs, as well as to reduce wastage.

We are mindful of the pace in which the global pharmaceutical industry operates. As such, our research and development facility, Pharmaniaga Research Centre remains steadfast in its pursuit to develop and manufacture innovative healthcare products in order to stay ahead of the curve. Driving a constant flow of research initiatives, this facility successfully received approval for the commercialisation of nine products during the year, with another eight on track to be commercialised in 2014.



OUTLOOK

As we embark on a new year, we are confident that we will be able to advance on our growth path. In both our concession and non-concession businesses, we intend to raise the bar in terms of delivering value and providing high levels of service. As for the consumer healthcare market, we are set to grow our proprietary Citrex brand in 2014 with new herbal and multivitamin products, as well as extend our Baraka range with new combinations including Nigella Sativa and garlic.

In order to widen the distribution network of our retail pharmacy business, RoyalePharma Pharmacy, we plan to open more outlets in strategic locations. This will enable us to capitalise on heightened demand for pharmaceuticals and over the counter products.

We are taking steps to further improve the efficiency of our manufacturing plants in order to improve output, ensuring that we will be well-positioned to cater to the expected rise in demand in the coming years.

The contract manufacturing segment has been earmarked for development as well, and we have made strong headway in expanding our prospects within this segment. On the back of this success, we are confident that we will be able to secure contracts with new multinational companies in the year ahead.

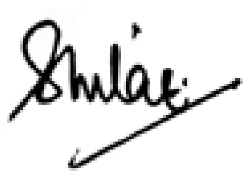
Our Indonesian operations are set to soar with the acquisition of a manufacturing plant, PT Errita Pharma Tbk. This will complement the marketing and distribution business of MPI, increasing our prospects in this country, allowing us to command greater market share.

On the international front, plans are in the pipeline to expand our footprint in Europe as well as the Middle East and North African (MENA) region. Following the final audit inspection, Pharmaniaga LifeScience received the European Good Manufacturing Practice certification. This bodes well in our long term strategy to undertake contract manufacturing projects targeted at the European market.

Meanwhile in the Kingdom of Saudi Arabia, we are embarking on a joint venture with Modern Healthcare Solutions Company Limited to establish a manufacturing arm, allowing us to harness the immense potential for growth in the MENA region. This is supported by our marketing office in Dubai.

With plans firmly in place for our further development, we will be able to solidify our foothold in Malaysia as well as in the global arena. We hope you will find the following reviews of our two key divisions informative. Our corporate responsibility initiatives are detailed herein as we strive to make positive contributions to society, demonstrating our ongoing 'passion for patients'. As we pursue our vision to elevate our standards and advance on our growth plans, we would like to assure our shareholders and stakeholders that delivery of results is at the heart of our activities.

We strive to make positive contributions to society, demonstrating our ongoing 'passion for patients'



DATO' FARSHILA EMRAN
Managing Director

21 February 2014

In Logistics & Distribution

The Logistics & Distribution Division facilitates the smooth dissemination of our pharmaceutical products to our distribution centres and ultimately to our customers.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3952
TOYOTA
TOYOTA
UMW
SAS
EQUIPPED
FLEET MANAGEMENT
15

LOGISTICS & DISTRIBUTION DIVISION



The Logistics & Distribution Division registered a profit of RM21 million for 2013, compared with RM61 million in the previous year. Revenue for the year increased by 9.4% to RM1.95 billion. This was driven by sales attributable to our Approved Products Purchase List, of which 70% of sales were from our Central Distribution Centre in Bukit Raja, Selangor and approximately 10% each from our Penang, Sabah and Sarawak branches.

profit before tax

RM21m

MALAYSIA

The Concession Agreement (CA) with MOH for the supply and distribution of pharmaceutical and medical products continues to be a primary driver of the Division. The MOH concession revenue rose to RM1.12 billion compared with RM1.10 billion in the previous year. With the number of orders received in the year exceeding 116,000, 99.5% of these orders were successfully delivered to MOH within the stipulated delivery time of seven to ten working days. This resulted in a marked improvement in customer service levels, with minimal customer complaints at 0.2% within the last two years.

In line with the stockholding standards established under the CA, we ensured optimal availability of our stock in terms of quality, quantity and warehouse location. As a result of this, our Central Distribution Centre in Bukit Raja received a positive rating from the National Pharmaceutical Control Bureau of MOH for our Cold Chain Management compliance.

As testament to our good standing with MOH, a bi-annual Customer Satisfaction Survey indicated primarily favourable ratings from MOH for our services as well as on the quality of the products delivered.

To this end, we have instituted ongoing Dialogue Sessions with Jabatan Kesihatan Negeri, which is an official platform for our public sector customers to address any concession-related matters. With a total of 17 dialogue sessions conducted throughout 2013, we are pleased to report that the number of issues raised have been significantly reduced.

In order to expand our prospects, the non-concession business which consists of contracts that fall beyond the ambit of the CA with MOH, along with private sector hospitals, pharmacies and practicing doctors throughout Malaysia, has grown. The non-concession revenue rose to RM415 million in 2013, a 28% jump from RM325 million in the previous financial year. This significant increase clearly demonstrates the effort and energy invested to grow this part of the pharmaceutical business.

Our drive to streamline our marketing strategy was successful as our integrated sales and marketing teams were able to improve by leveraging on synergies and enhancing value for our clientele in terms of product offerings and services rendered. Our strategic realignment towards establishing a more focused approach has been fundamental in adding value to each customer segment and to enhance our market share. This was done in order to grow our top 20 potential products.

99.5% of orders were successfully delivered to MOH within the stipulated delivery time of seven to ten working days

We further strengthened our brand positioning through various activities in 2013. This included our proprietary medical seminar, Rediscover General Practice, which resulted in a steady stream of participation from general practitioners.

Our wide portfolio of products performed well, with our key products in the primary care and speciality care range registering encouraging sales. In particular, our Paracetemol 650mg brand, Zithrolide, the generic brand of Azithromycin and our anti-obesity product Cuvarlix (Orlistat) are market leaders in their respective fields. Our other products Bacampicillin, Cephalexin, Benalix and Simvastatin recorded improved sales during the year.

In the consumer healthcare range, our Citrex range of products was introduced to retail pharmacy outlets and has shown a good rate of acceptance. We launched several new lifestyle products in the Citrex range, including Oatimax, the chewable probiotic Defendo and Memoria for memory enhancement, which have been well-received by consumers. Our established brand Baraka commanded strong market share in retail pharmacies and with general practitioners.

To complement our existing generic medicine manufacturing and distribution arms, we have ventured for the first time into the retail pharmacy sector. The first outlet was officially launched in 2013 with the brand name RoyalePharma Pharmacy. With the growing band of middle class Malaysians, we are confident that this distribution channel is a move in the right direction and we plan to open more outlets in the future.

INDONESIA

Our Indonesian operations were impacted by the depreciation of the Indonesian Rupiah, which forced our principals to review their prices as over 90% of raw materials are imported. This may subsequently affect consumer spending on drugs and supplements. In addition, the increase in petrol prices has also had an impact on operating costs.

Despite these challenges, our listed subsidiary PT Millennium Pharmacon International (MPI) recorded a revenue of RM411 million, a 5.5% increase from the previous year. This was achieved via ongoing efforts to expand market reach and improve operational efficiencies.

MPI has been selectively seeking out viable principals for our medical disposables and over the counter products. In order to better cater to the needs of our principals, we have engaged our sales team in marketing activities with the aim of enhancing systematic relationship management.

The commitment to develop PhIS will result in significant improvements in the delivery of medication and healthcare to patients

During the year we introduced a number of process improvements throughout our Indonesian operations. The ISO 9001:2008 certification programme was extended to our other branches in Bandung, Medan, Semarang and Surabaya. In total, MPI now has 11 sites certified with ISO 9001:2008, ensuring that we have a robust quality management system in place.

INFORMATION TECHNOLOGY

As part of our efforts to improve efficiency and elevate our standards of service, we are currently developing the Pharmacy Information System (PhIS). The commitment to develop this information technology is part of the CA with MOH, which will result in significant improvements in the delivery of medication and healthcare to patients.

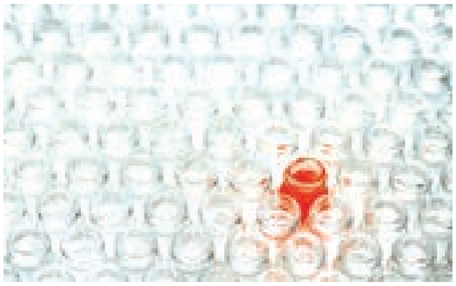
By creating a comprehensive network, this integrated system will manage and track medication inventory, both upstream and downstream, in the supply and demand value chain in Government hospitals and clinics, ensuring improved quality and safety of medicine. The PhIS is also equipped with direct online ordering and order status inquiry facilities. In addition, the system will see the establishment of a centralised data warehouse at MOH, allowing for more effective monitoring of drug consumption patterns, which will subsequently lead to an improvement in inventory planning.

Once this system is implemented, the pharmaceutical supply chain will certainly benefit from increased efficiencies in a multitude of areas, including order processing, inventory management, warehousing and distribution and logistics management.

In Manufacturing

The adherence to quality control, security of supply and compliance with safety and health standards have established us as a leading manufacturer in the pharmaceutical sector.

MANUFACTURING DIVISION


The Manufacturing Division delivered an improved profit of RM72 million compared with RM43 million in the previous year. This substantial increase was attributable to higher demand as well as cost saving efforts which had a positive impact on results.

profit before tax

RM 72m

OUR PLANTS

During the year, we embarked on several key initiatives at our five plants with the aim of improving manufacturing processes and efficiencies. This included the purchase of new equipment such as blister and compression machines, refurbishment of our manufacturing facilities and the streamlining of products to be manufactured by our manufacturing sites. As a result of these efforts, we were able to increase output in the manufacturing of oral solid dosage products and successfully transfer much of our previously outsourced products to our in-house manufacturing.

We introduced several operational excellence initiatives, with a view to increasing manufacturing efficiency and output while reducing operational cost and wastage. In addition, in order to further reduce costs, we maintained our ongoing improvement programmes, resulting in annual savings of RM5 million.

The establishment of our Penicillin Sterile facility in our Seri Iskandar plant in Perak has progressed accordingly, as our building and clean room construction was completed and process equipment successfully installed. We also installed new compression and blister equipment in our Sungai Petani plant in Kedah to increase solid dosage production capacity. In order to cater for increased demand in future, we will continue to pursue upgrading efforts for the equipment and facilities in this plant.

Contract manufacturing remains an important segment for this Division, with much potential for growth. Our accomplishments in this area include the manufacturing of Glucosamine tablets for Amway since April 2008. We have also successfully inked an agreement to manufacture Actal, Breacol and Vykmin for Menarini Malaysia.

RESEARCH AND DEVELOPMENT

We are cognisant that our research and development efforts are vital to the growth of the pharmaceutical business. On this score, Pharmaniaga Research Centre drives research initiatives at our facility in Bukit Raja Industrial Area in Selangor for the development of high quality products.

We received approval for the commercialisation of nine products. Registration is also underway for another eight products, with commercialisation targeted for 2014.

Additionally, we have identified a total of 200 potential products for the development pipeline from 2014 to 2024. These products range from galenical to solid and injectables and are currently in various stages of research and development, to be registered for commercialisation in due course.

In Corporate Responsibility

As a conscientious corporate citizen, it is our aim to improve the quality of life of all Malaysians and to promote the importance of healthcare amongst communities.

CORPORATE RESPONSIBILITY

As a leader at the forefront of Malaysia's pharmaceutical sector, we are firmly dedicated to strengthening our role as a responsible corporate citizen. Our commitment to excellence extends not only to our businesses but also to our contributions to society at large.


pharmaniaga
enriching life together
pharma
Healthcare Outreach
to the victims of
Philippines Typhoon
Haiyan

Our journey towards sustainable growth has driven us to nurture and care for the well-being of our employees as well as support the communities in which we operate. To this end, we have undertaken a number of key initiatives as part of our corporate responsibility efforts, with the primary aim of educating the public on the importance of healthcare.

HUMAN CAPITAL

The mark of a good company is reflected in the abilities and competencies of its people. We are ever mindful that the development of our human capital is paramount in driving the growth of Pharmaniaga. As such, the various training programmes we have in place ensure that our employees are well-equipped with the necessary skills to succeed. This also provides a sound backdrop for them to make valuable contributions to the Group and to society as a whole.

In order to close competency gaps, we successfully implemented soft skills training programmes during the year. These include training for our management team to instil the importance of strategic thinking and develop awareness on broader organisational perspectives in order to realise targeted strategies. Meanwhile, junior executives and assistant managers received assertive leadership skills training, with a view to enhancing effectiveness and building confidence.

Employees also took part in training to foster their skills as supervisors by gaining better understanding of the supervisory role and process. Equipped with these skills, they will be able to motivate their teams to perform at their peak, creating a highly cohesive team built on trust. In addition, business writing and business reporting programmes were conducted by the British Council in order to improve writing and communication skills.

Further to this, we have put in place a succession plan by establishing integrated talent management processes. This allows us to recognise and develop potential talent within our fold and ensure sustainable leadership to cater for the Group's needs in the future.

We are cognisant of the importance of balancing the professional development and social welfare of our employees

We are committed in ensuring the well-being of our employees, and to this end, we kick-started our One Hour with the Human Capital Management initiative, which acts as a platform for our employees to convey their ideas and suggestions. It is also a neutral venue for our employees to clarify issues that they may have in respect of benefits and welfare. In tandem with this, an employee survey was conducted by the Group to keep ourselves apprised on the satisfaction level of our workforce. The results of this survey have been analysed and will determine areas of improvements to create a more conducive working environment for our employees.

Our Vendor Development Programme (VDP) provides a competitive eco-system for Bumiputera healthcare-related vendors in the pharmaceutical industry, both locally and abroad. A roundtable discussion was organised with all our Adoption Scheme Companies (ASCs) in 2013 to discuss activities that would be beneficial towards their development.

Amongst our notable achievements were the trainings carried out pertaining to ISO 9001 Quality Management and ISO 13485, which were specifically tailored for our ASCs. We also encouraged communication amongst our vendors as sharing of information is a key factor in development.

Another accomplishment arising from the VDP was securing an agreement with suppliers of commonly-used items, such as paper, stretch film and non-printed packing tape. Agreeing to a lower quote due to the collective volume of our ASCs, the VDP will continue to work towards enhancing profitability for ASCs with a view to lowering their cost of business. In line with the VDP's drive to assist, nurture and encourage development of the ASCs, a market expansion deal was mediated with our subsidiary in Indonesia, a collaborative effort between Pharmaniaga Marketing Sdn Bhd and PT Millennium Pharmacon International.

We are cognisant of the importance of balancing the professional development and social welfare of our employees. To this end, activities were organised during the Secretaries Week, requiring participation from both secretaries and their respective supervisors. The objective of the programme was to foster better relationships and strengthen bonds. The week-long programme also included a seminar on performance and success and tokens of appreciation were presented to each secretary by their supervisors.

Our 'Jalinan Mesra Aidilfitri' event held at Bukit Raja was also a success. The celebration saw a turnout of 2,500 employees and their families as well as the Senior Management Team who had attended to mark the festive occasion.

In order to encourage our employees to lead a healthy lifestyle, we held the Pharma Race in Langkawi. The event saw our employees participating in various recreational activities throughout the run.

COMMUNITY & ENVIRONMENT

As a reflection of our commitment to make positive contributions to society, we strive to reach out to disadvantaged members within the community. In line with this, our Skuad Operasi Sihat (SOS) undertook a total of 28 missions in 2013 to benefit needy communities in Sarawak, Penang, Perak, Pahang, Johor, Negeri Sembilan along with Kuala Lumpur and Selangor. This was part of our ongoing drive to enhance healthcare awareness in rural communities as well as providing free medical check-ups and assistance. The SOS team also collaborated with Mercy Malaysia to provide dental check-ups and oral hygiene talks for the Orang Asli community in Hutan Belum, Perak.

Recognising the plight of those affected by natural disasters, our SOS team supported efforts to ease the burden of flood victims in Kuantan, handing over contributions to Jabatan Kebajikan Masyarakat Pahang and Pertubuhan IKRAM Pahang for distribution to evacuation centres. In addition, Pharmaniaga employees made personal donations to purchase basic necessity supplies for the victims.

Further to this, we did our part to assist the families affected by the Lahad Datu intrusion in Sabah with the launch of Dana Perwira Lahad Datu aimed to collect donations.

Reaching out across the Malaysian borders, we contributed medicines worth RM73,000 to The Malaysian Red Crescent in support of victims of Typhoon Haiyan in the Philippines. We also provided aid to our employees in Indonesia who were badly hit by the severe flooding in 2013. The floods affected approximately 250,000 citizens and saw over 30,000 people displaced due to rising flood waters.

In support of cultivating a healthier Malaysia, we were a bronze sponsor for the Diabetes Asia 2013 Conference organised by the National Diabetes Institute. We also participated in Yayasan Jantung Malaysia's Heart Exhibition during World Heart Day and the Family Medicine Specialist Association of Malaysia's national meeting and exhibition.

In an effort to spread the joy of the festive season during Hari Raya, we hosted a 'buka puasa' with orphans and presented them with special gifts. In the spirit of Ramadan, we also visited needy families and presented them with hampers and tokens to brighten their celebrations. In addition, we organised a Korban Perdana for our employees and invited a group of orphans to share the special occasion with us.

In order to cultivate a Health and Safety culture in the workplace, we undertook initiatives to instil best practices in our employees in compliance with the ISO requirements. In line with this, we organised programmes comprising firefighting techniques with Jabatan Bomba dan Penyelamat Malaysia and first aid with The Malaysian Red Crescent, as well as scheduled waste management and proper forklift operations.

In providing protection from declining environmental conditions, we supplied face-masks to our employees during the haze crisis. This caring spirit was extended to the public when we distributed face-masks to motorists near Jalan Duta Toll Plaza.

As part of our drive to improve sustainability and enhance efficiencies, we undertook measures to optimise electricity usage in our operations. This included the installation of new equipment such as a standby generator in our server room to prevent overloading, as well as the use of more efficient compressors, amongst other initiatives.

We continue to strive to build up our existing workforce by widening our talent pool

EDUCATION

The Government's vision to develop a knowledge-based high-income economy is indeed laudable. As measures are being implemented to enhance Malaysia's educational system, we are dedicated to undertaking initiatives in support of such vision to elevate our nation's youth.

To this end, the Group's Excellence Academic Award is accorded to children of Pharmaniaga employees with outstanding results in their public examinations. In 2013, there were a total of 66 recipients who received prizes from Pharmaniaga. We are pleased to be able to reward these exceptional students and play a role in fostering a culture that appreciates scholarly achievements.

In order to provide young Malaysians with opportunities to fulfil their potential, our structured internship programme recruits fresh graduates and allows them to develop their skills. This initiative supports the Government-industry collaboration, the Bio-Analytical Industry Development Programme under TalentCorp, which aims to increase talent in the biotechnology sector. To date, four candidates have been employed by Pharmaniaga as part of this programme.

During the year, we participated in several national-level career fairs to showcase our strong prospects to potential talents. Having been recognised as one of the top three most preferred employers in the pharmaceutical sector in Malaysia's 100 Leading Graduates Employers Awards 2013, we continue to strive to build up our existing workforce by widening our talent pool.

_Statement on Corporate Governance

INTRODUCTION

The Board of Directors (the Board) is committed to uphold the highest standards of corporate governance practices in Pharmaniaga Group (the Pharmaniaga Group) based on the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance 2012 (the Code) and Bursa Securities Main Market Listing Requirements (MMLR) to safeguard the interest of all stakeholders and at the same time enhance the financial performance of the Group and hence, shareholders' value.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities.

The Board Committees include the Audit, Nomination and Remuneration Committees. The respective committees report to the Board on matters considered and recommendation thereon. Each Committee will review and elaborate on matters tabled before it and make appropriate recommendations to the Board for approval.

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

The Board is pleased to report to the shareholders, the Company's application and compliance with the principles and recommendations of the Code throughout the financial year ended 31 December 2013.

BOARD OF DIRECTORS

The Board has the overall responsibility for good corporate governance, strategic direction and investments of the Group. The Board recognises the key roles in setting the strategic direction and policy regarding the business affairs of the Company and the Group for the benefit of shareholders and other stakeholders of the Company. The Board has assumed amongst others the following major responsibilities in discharging its fiduciary duties and leadership functions:

- Reviewing and adopting strategic plans, policies and direction for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

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

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

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

The Board Charter approved by the Board sets out the roles and responsibilities of the Board and the details of the specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

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

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

In addition, the Board has established a Whistle Blowing Policy to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection for the reporting of such alleged malpractice or misconduct.

The Company is also committed to sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on the activities pertaining to Corporate Responsibilities is set out in pages 44 to 51 of this Annual Report.

COMPOSITION OF THE BOARD

The Board is led and controlled by an experienced Board, comprising members from diverse professional backgrounds, having expertise and experience, skills and knowledge in fields such as pharmaceutical industry, financial, corporate, legal and management arena. The profile of each Director is set out on pages 12 to 17 of this Annual Report.

The Board, led by Non-Independent Non-Executive Chairman, Tan Sri Dato' Seri Lodin Wok Kamaruddin, comprises six (6) members of which three (3) are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executives Directors and one (1) Managing Director. This composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Malaysia.

The Independent Non-Executive Directors bring independent advice, unbiased judgement and provide constructive views on issues of strategy, business performance, resources and standard of conducts and thus help to ensure that the interest of shareholders and stakeholders of the Company are safeguarded.

Currently, the tenure of all Directors on the Board has not exceeded nine (9) years.

COMPOSITION OF THE BOARD COMMITTEES

The Board has established Nomination, Remuneration and Audit Committee to assist the Board in the execution of its duties.

Audit Committee

The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this Annual Report, on page 71.

Nomination Committee

The Nomination Committee comprises exclusively Non-Executive Directors, majority of whom are independent. The Committee has convened one (1) meeting in 2013. The attendance record is as follows:

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

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

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

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

Remuneration Committee

The Remuneration Committee comprises exclusively three (3) Non-Executive Directors with the majority of members being Independent Directors. The Committee, which is chaired by an Independent Director, has convened three (3) meetings in 2013. The attendance record is as follows:

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

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

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

Supply of and Access to Information

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

The Company Secretaries attend all Board meetings and are responsible for ensuring the Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with. In addition, the Directors are also empowered to seek independent external professional opinion and advice at the expense of the Company, if necessary, to enable them to discharge their duties.

BOARD APPOINTMENT AND COMMITMENTS

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

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

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association of Pharmaniaga Berhad state that at every Annual General Meeting (AGM) of the Company, one-third of the Directors for the time being, or if their number is not a multiple of three, than the number nearest to one-third shall retire from the office. The Articles also provide that every Director including the Managing Director shall be subject to retirement at least once in every three years. A retiring Director shall be eligible for re-election and to hold office until the next AGM. Each of these Directors who is due for re-election or re-appointment at this year's AGM has been identified in the Notice of AGM. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement Accompanying Notice of AGM.

Any Director aged 70 or above is subject to re-appointment by shareholders on an annual basis pursuant to Section 129(6) of the Companies Act, 1965. The Board is satisfied that the Directors, who are required to stand for re-election and re-appointment respectively at the AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board.

BOARD INDEPENDENCE

The roles and responsibilities of the Chairman of the Board and the Managing Director are distinct and separated. In addition to ensuring the Board's effectiveness in discharging its duties, responsibilities and conduct, the Chairman provides the overall leadership in deliberation and decision making at Board Meetings without limiting the collective responsibility of the Board. The Chairman also avails himself to provide clarification on issues raised by shareholders and investors at the Company's general meetings. On the other hand, the Managing Director, with the assistance of the Senior Management, oversees the management and day-to-day operation of the Company in line with the policies and procedures of the Pharmaniaga Group.

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

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

BOARD MEETINGS

Board meetings are scheduled in advance and during the financial year ended 31 December 2013, there were four (4) Board meetings held. The details of the respective Directors' attendance at the Board meetings held during the year under review are as follows:

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

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

During the financial year ended 31 December 2013, the Board reviewed and/or approved, amongst other matters, the following:

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

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

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

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

Directors' Training

All directors have and successfully completed the Mandatory Accreditation Programme. The Board believes that continuous training for Directors is essential for Board members to gain insight into the pharmaceutical industry, state of economy, technology advances, regulatory updates and management strategies to enhance the Board's skills and knowledge. To enable the Directors to discharge their duties effectively, the Directors are encouraged to attend seminars, training programmes and conferences in areas concerning Directors' duties and responsibilities, corporate governance and also to keep abreast with developments in the market.

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

Course Title	Date
• FIDE Governance in Group Program	5 April 2013
• Corporate Governance Symposium 2013 "Corporate Governance in Vogue"	9 April 2013 and 10 April 2013
• Investors Conference "Standing At The Crossroads – Where To From Here"	18 April 2013
• Briefing On Financial Services Act 2012 And Islamic Financial Services Act 2012	14 May 2013
• Advocacy Session On Corporate Disclosure For Directors	20 June 2013
• Conference on Politics and Business – The Malaysian Connection	2 July 2013
• 17th Malaysian Banking Summit 2013	23 July 2013
• 60-minute with Mr. Pradeep Pant, Executive Vice President and President Asia Pacific, Mondelez International, Singapore	3 September 2013
• Breakfast At The Kuala Lumpur Golf & Country Club with Board Chairman	11 September 2013
• Company Director Advance Programme 2013 : Human Capital	18 September 2013 and 19 September 2013
• Inaugural Asean Corporate Governance Summit 2013	6 November 2013 and 7 November 2013
• Half-Day Talk On: a) Financial Services Act 2013 – Key Implication; b) Basel III and Its Impact On Capital And Liquidity; c) New Audit Opinion; d) Accounting And Other Regulatory Updates	12 November 2013
• Board Chairman Series: The Role of The Board Chairman	14 November 2013

Directors' Remuneration

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

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

Further details of Directors' remuneration are set out below and in Note 8 to the Financial Statements on pages 118 to 119 of this Annual Report.

Remuneration Package

The remuneration package of the Directors is as follows:

a. Basic Salary

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

b. Fees

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

c. Bonus Scheme

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

d. Benefits-in-kind and other Perquisites

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

e. Retirement Plan

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

f. Service Contract

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

Disclosure on Directors' Remuneration

The details of the remuneration received by each category of Directors for the financial year ended 31 December 2013 are as follows:

Directors	Basic Salaries, Bonus & EPF (RM)	Fees (RM)	Allowance, Perquisites & other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Director	948,508	–	71,566	65,638	1,085,712
Non-Executive Directors	–	324,000	121,488	–	445,488
Total	**948,508**	**324,000**	**193,054**	**65,638**	**1,531,200**

The remuneration paid to Directors of the Company for the financial year ended 31 December 2013, in bands of RM50,000 are tabulated as follows:

Remuneration Band	No. of Directors	
	Executive	Non-Executive
RM50,000 – RM100,000	–	4
RM100,001 – RM150,000	–	1
RM1,050,001 – RM1,100,000	1	–

* *None of the Directors' remuneration falls within the RM150,001 – RM1,050,000 band.*

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company believes in maintaining an open and constructive channel of communication with its shareholders and investors. It recognises and practices transparency and accountability to its shareholders and investors and pursue its on-going commitment to sustain the highest standards of corporate governance practices throughout the Pharmaniaga Group with full appreciation of its impact on long term corporate performance and optimal shareholders' value. Information about the Pharmaniaga Group is disseminated via company website, annual reports, shareholders' circulars, quarterly financial results and other announcements made to Bursa Malaysia from time to time. Copies of the Pharmaniaga Group's annual report and shareholders' circular are also made available to the interested institutional investors, fund managers and public upon request.

The Company values the feedback of its shareholders. The AGM is the principal avenue for shareholders to communicate and engage in dialogue with the Board and Senior Management of Pharmaniaga Group. Constructive dialogue between the Board and the shareholders are encouraged whereby at the AGM, shareholders are given the opportunity to raise questions on issues pertaining to the Company's financial and operational performance.

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

Pharmaniaga views the timeliness, accuracy and reliability of information disseminated to the shareholders and stakeholders as crucial. The website www.pharmaniaga.com also allows shareholders and members of the public to access information pertaining to the Pharmaniaga Group. This website contains information about the Company/Group, products and businesses, announcements which have been made available to the public as well as other areas of interests to the public. This website contains a section on Invester Relations which provides the investing public with all material information documents which has been released and is regularly updated.

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

The contact person and details for Investor Relations related queries are as follows:

Name : Norai'ni Mohamed Ali
Position : Chief Financial Officer
Email : noraini.aliani@pharmaniaga.com
Tel : +603 3342 9999

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Internal Control

The Board acknowledges that its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. The Pharmaniaga Group adheres to MMLR and Statement on Risk Management and Internal Control for Directors of Public Listed Issuers, as guidance for compliance with these requirements.

Information on the Group's Internal Control is presented in the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the MMLR of Bursa Malaysia is set out on page 65 of this Annual Report.

Relationship with External Auditors

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

It is a policy of the Audit Committee that it meets with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues independent of the Executive Directors and Senior Management. During the year under review, the Audit Committee held five (5) meetings out of which two (2) meetings were held with the presence of representatives of the External Auditors, Messrs. PricewaterhouseCoopers, independent of Senior Management.

The Audit Committee will review the appointment and re-appointment of external auditor, assess the performance of the external auditor on annual basis. Assessment on the independence and objectivity of the external auditors will be performed by the Audit Committee during the year and prior to the appointment of the external auditors for ad hoc, non-audit services via submission of reports from the external auditors on their own policies regarding independence and the measures taken to control the quality of their work.

RECOGNISE AND MANAGE RISKS

Sound framework to manage material business risks

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

Internal Audit Function

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

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

OTHER COMPLIANCE INFORMATION

Related Party Transactions

The Pharmaniaga Group has in place a procedure to ensure the Company meets its obligations under the MMLR of Bursa Malaysia relating to related party transactions. All related party transactions are presented to the Audit Committee for review on a quarterly basis and later escalated to the Board for notation.

The details of the related party transactions are set out under Note 36 to the Financial Statements on pages 159 to 161 of this Annual Report.

Non-Audit Fees

	Group RM'000	Company RM'000
Non-audit fees paid to the External Auditors for the financial year ended 31 December 2013	287	54

Imposition of Sanction and/or Penalties

The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2013.

Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2013 and the unaudited result previously announced.

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

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

The Board considers that it has complied with the Principles and Recommendations of the Code, except for the Recommendation 3.5 of the Code which stated that, where the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. The Company's Chairman is not an Independent Director and there are three (3) Independent Directors out of six (6) Board members.

The Board believes that the interests of shareholders are best served by a Chairman who is sanctioned by the shareholders and who will act in the best interests of shareholders as a whole. As the Chairman is represented by shareholder who has substantial interest in the Company, he is well placed to act on behalf of shareholders and in their best interests. The Board will continuously evaluate suitable candidates for Independent Directors to form majority of the Board. However, the process should be executed with due care and careful assessment to ensure a meaningful contribution to the effectiveness of the Board as a whole.

This Statement on Corporate Governance has been approved by the Board of Pharmaniaga on 21 February 2014.

_Statement on Risk Management and Internal Control

BOARD RESPONSIBILITY

The Board of Directors (the Board) is responsible for the review of adequacy and effectiveness of the Pharmaniaga Group's (the Group) system of internal controls, which includes financial, operational and compliance control.

The Board is of the view that the system are designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies, goals and business objectives of the Group. It can therefore only provide reasonable rather than absolute assurance of effectiveness against material misstatement of financial information and records or against financial losses or fraud.

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

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

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

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

STRUCTURAL

Audit Committee

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

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

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

Group Internal Audit

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

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

Any areas of improvements have been identified as a result of the review, improvement measures are recommended to strengthen controls, follow up audits are conducted by Group Internal Audit to assess the status of implementation thereof by management.

RISK MANAGEMENT

The Board views risk management as the logical process in the pursuit of its corporate governance agenda and the realisation of its long term corporate objectives to protect shareholders' investment and safeguard the Group's assets. The Group is committed to managing risk in a proactive and effective manner. This requires comprehensive risk analysis to support management decision at all levels within the Group.

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

The Group Risk Management Framework has the following key attributes:

- **Risk Governance and Strategy**

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

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

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

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

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

- **Risk Reporting**

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

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

  In December 2013, the RMWGC updated the risk register and risk management action plans. The RMC met twice during the year in July and December 2013 to review Group's risk profile and progress of the action plans for 2013. The RMC tabled its report to the Audit Committee and the Board of Directors on 3 December 2013.

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

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

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

ORGANISATION STRUCTURE AND VALUES

Operating Structure with clearly defined lines of responsibility and delegated authority

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

- **Procurement**

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

- **Regulatory Affairs**

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

Written policies and procedures on the limits of delegated authority

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

Clearly documented standard operating procedures manuals

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

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

Strategic Business Planning, Budgeting and Reporting

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

Based on strategies identified, the Annual Operating and Three-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 18 November 2013. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised based on changes in the business and operating environments. Inputs from the Board Strategic Planning Sessions are used to develop the Annual Operating and Three–Year Business Plan.

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

Regular Monthly Reporting

Operational review meetings are conducted on a monthly basis to review and monitor matters pertaining to the business operations. The review is based on performance reports that provide comprehensive information on financial performance and other key non-financial indicators. 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 established KPIs and Key Result Areas (KRAs) parameters has been implemented. The Group adopts the following Balance Scorecard quadrants (FCIO) to measure KPI achievements through the PMS:-

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

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

Human Resources Policies and Procedures

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

An employee engagement survey and a customer satisfaction survey are conducted periodically to gauge feedback on the effectiveness and efficiency of stakeholder engagement for continuous improvement.

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

Manpower planning exercise is conducted on an annual basis within the Group with the allocated budget. Manpower planning are able to determine and to identify present and prospective needs of human resource, to discover and recruit the required number of persons, to select the right number and type from the available people, to hire and place in the positions for which they are qualified and to promote and to transfer as per the needs and the performance of employees.

Policies and procedures are issued to all heads of department and reviews are conducted periodically to ensure all policies and procedures remain current and relevant. The relevant parts of the terms and conditions of employment, and appropriate policies and procedures are included in an Employee Handbook and issued to all employees.

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

Code of Conduct

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

Whistleblowing

The Whistle Blower Policy provides a platform and acts as a mechanism for parties to channel their complaints or to provide information on fraud, wrong-doings or non-compliance to any rules or procedures by an employee or the management of the Group. The policy outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle blower 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 a report and update is provided to the Board.

Tender Award System

As part of the Group's continuous to enhance coordination and control on procurement of goods and services for projects, a Tender Committee has been set up to increase efficiency and ensures the effectiveness of the system of internal controls embedded in the process of awarding tenders.

Insurance

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

MONITORING AND REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

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

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

ASSURANCE FROM MANAGEMENT

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2014.

_Audit Committee Report

The Board of Directors of Pharmaniaga Berhad is pleased to present the report of the Audit Committee for the financial year 2013.

MEMBERSHIPS AND MEETINGS

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

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

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

TERMS OF REFERENCE

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

Membership

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

Authority

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

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

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

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

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

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

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

Key Functions and Responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF ACTIVITIES

During the financial year 2013, the Audit Committee carried out its duties in accordance with its terms of reference.

Financial Reporting

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group including announcements, before recommending them for approval by the Board of Directors.

- Reviewed the annual audited financial statements of the Company and the Group with the external auditors prior to submission to the Board of Directors for approval.

The review was to ensure that the financial reporting and disclosures are in compliance with:

– provisions of the Companies Act, 1965;
– MMLR of Bursa Malaysia;
– applicable approved accounting standards in Malaysia; and
– other relevant legal and regulatory requirements.

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

Internal Audit

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

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

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

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

External Audit

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

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

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

Related Party Transactions

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

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

Annual Reporting

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

Risk Management

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

INTERNAL AUDIT FUNCTION

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

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

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

During the financial year, the GIA had undertaken the following activities:

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

The total cost incurred for the GIA in respect of the financial year ended 31 December 2013 amounted to RM183,150.

_Statement of Directors' 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, 1965 in Malaysia. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

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

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

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

financial statements

_Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	56,761	59,061
Attributable to:		
Owners of the parent	55,200	59,061
Non-controlling interests	1,561	-
	56,761	59,061

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 2013:

	Net dividend		
	Sen per share	RM'000	Payment Date
First interim single tier dividend*	3.41	8,827	28 June 2013
Second interim single tier dividend	3.41	8,827	24 September 2013
Third interim single tier dividend	3.00	7,766	24 December 2013
Fourth interim single tier dividend	6.20	16,051	2 April 2014
	16.02	41,471	

* The first interim single tier dividend per share had been adjusted to reflect the Company's share split and bonus issue which were completed on 5 June 2013.

The fourth interim single tier dividend of 6.20 sen per share amounting to RM16,050,729 mentioned above in respect of the financial year ended 31 December 2013 will be paid on 2 April 2014 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2013.

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 has undertaken a Share Split that entails subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each ("Subdivided shares").

Subsequently, the Company increased its issued and paid up ordinary share capital from RM117,673,969 to RM129,441,366 by way of bonus issue of 23,534,794 new ordinary shares of RM0.50 each to be credited as fully paid-up, on the basis of one (1) bonus share for every ten (10) Subdivided shares held via capitalisation of retained earnings amounting to RM11,767,397.

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

SIGNIFICANT AND SUBSEQUENT EVENTS

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

DIRECTORS

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

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

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate emoluments received or due and receivable by the Director as shown in Notes 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 except as disclosed in Note 36(f) to the financial statements.

REMUNERATION COMMITTEE

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

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

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations were as follows:

	Number of ordinary shares of RM1.00 each	Number of ordinary shares of RM0.50 each		
	At 1.1.2013	Share split and bonus issue on 5.6.2013	Sold	At 31.12.2013
The Company				
Direct interest				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,681,886	12,500,148	-	12,500,148
Dato' Farshila Emran	420,000	924,000	(120,000)	804,000
Daniel Ebinesan	215,000	473,000	(73,000)	400,000
Izzat Othman	45,000	99,000	-	99,000

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
Immediate holding company				
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	-	-	28,192,758
Daniel Ebinesan	157,740	-	-	157,740

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
Related corporations				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	-	-	2,000,000
Mohd Suffian Haji Haron	20,000	20,000	-	40,000
Daniel Ebinesan	20	-	-	20
Boustead Petroleum Sdn. Bhd.				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	-	-	5,916,465
Affin Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	-	-	808,714
Daniel Ebinesan	27,000	-	-	27,000

	Number of redeemable preference shares of RM1.00 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
Boustead Petroleum Sdn. Bhd.				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	50	-	-	50

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

Before the income statements and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

CHANGING CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the year in which this report is made.

HOLDING CORPORATIONS

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

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 February 2014.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

_Statement By Directors

_Pursuant To Section 169(15) Of The Companies Act, 1965

We, Tan Sri Dato' Seri Lodin Wok Kamaruddin and Dato' Farshila Emran, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 86 to 169 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 40 on page 170 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 February 2014.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

_Statutory Declaration

_Pursuant To Section 169(16) Of The Companies Act, 1965

I, Norai'ni Mohamed Ali, being the officer primarily responsible for the financial management of Pharmaniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 86 to 169 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NORAI'NI MOHAMED ALI

Subscribed and solemnly declared by the abovenamed Norai'ni Mohamed Ali at Kuala Lumpur on 27 February 2014, before me.

COMMISSIONER FOR OATHS

_Independent Auditors' Report

_To The Members Of Pharmaniaga Berhad
(Incorporated in Malaysia)
(Company No. 467709 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pharmaniaga Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 169.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/14 (J))
Chartered Accountant

Kuala Lumpur
27 February 2014

_Income Statements
_For The Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	4	**1,946,639**	1,812,346	**71,668**	330,225
Cost of sales	5	**(1,649,040)**	(1,519,189)	**-**	-
Gross profit		**297,599**	293,157	**71,668**	330,225
Other income		**598**	931	**21**	8
Administrative expenses		**(191,787)**	(176,408)	**(8,865)**	(60,286)
Finance costs	6	**(14,665)**	(14,959)	**(4,635)**	(6,829)
Interest income		**1,252**	592	**2,435**	3,566
Profit before zakat and taxation	7	**92,997**	103,313	**60,624**	266,684
Zakat		**-**	(350)	**-**	-
Taxation	9	**(36,236)**	(39,758)	**(1,563)**	(81,775)
Net profit for the financial year		**56,761**	63,205	**59,061**	184,909
Attributable to:					
Owners of the parent		**55,200**	61,710	**59,061**	184,909
Non-controlling interests		**1,561**	1,495	**-**	-
Net profit for the financial year		**56,761**	63,205	**59,061**	184,909
Earnings per share (sen):					
- basic	10	**21.32**	23.84		

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

_Statements of Comprehensive Income

_For The Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Net profit for the financial year		**56,761**	63,205	**59,061**	184,909
Other comprehensive (loss)/income, net of tax:					
Foreign currency translation differences for foreign operations		**(5,588)**	(2,955)	**-**	-
Recognition of actuarial gains	30	**1,225**	56	**-**	-
Total comprehensive income, net of tax for the financial year		**52,398**	60,306	**59,061**	184,909
Attributable to:					
Owners of the parent		**52,801**	60,116	**59,061**	184,909
Non-controlling interests		**(403)**	190	**-**	-
		52,398	60,306	**59,061**	184,909

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

_Statements of Financial Position

_As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**353,368**	339,660	**-**	-
Prepaid lease payments	13	**1,075**	1,126	**-**	-
Investments in subsidiaries	14	**-**	-	**357,176**	357,176
Investment in an associate	15	**19**	19	**19**	19
Intangible assets	16	**124,508**	149,523	**-**	-
Amount due from a subsidiary	20	**-**	-	**59,023**	47,060
Deferred tax assets	29	**6,625**	9,137	**-**	-
		485,595	499,465	**416,218**	404,255
Current assets					
Inventories	17	**410,531**	464,855	**-**	-
Trade receivables	18	**143,402**	199,535	**-**	-
Other receivables	19	**25,355**	18,754	**98**	180
Amounts due from subsidiaries	20	**-**	-	**93,750**	100,351
Amounts due from related companies	21	**68**	-	**-**	-
Deposits, cash and bank balances	22	**32,900**	34,553	**1,192**	444
Tax recoverable		**13,215**	5,664	**-**	-
Dividend receivable		**-**	-	**-**	175,050
		625,471	723,361	**95,040**	276,025
TOTAL ASSETS		**1,111,066**	1,222,826	**511,258**	680,280

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**129,441**	117,674	**129,441**	117,674
Share premium		**11,751**	11,751	**11,751**	11,751
Exchange reserves		**(4,131)**	(1,058)	**-**	-
Retained earnings	28	**350,571**	343,651	**181,562**	171,455
		487,632	472,018	**322,754**	300,880
Non-controlling interests		**15,631**	15,835	**-**	-
Total equity		**503,263**	487,853	**322,754**	300,880
Non-current liabilities					
Loans and borrowings	26	**318**	72	**-**	-
Deferred tax liabilities	29	**12,834**	5,137	**-**	-
Provision for defined benefit plan	30	**4,789**	6,036	**-**	-
		17,941	11,245	**-**	-
Current liabilities					
Amounts due to subsidiaries	20	**-**	-	**131,599**	255,351
Amounts due to related companies	21	**1,944**	2,612	**-**	38
Trade payables	23	**337,417**	306,162	**-**	-
Other payables	24	**48,043**	71,337	**1,731**	3,856
Amount due to immediate holding company	25	**200**	179	**174**	155
Loans and borrowings	26	**199,562**	340,977	**55,000**	120,000
Current tax liabilities		**2,696**	2,461	**-**	-
		589,862	723,728	**188,504**	379,400
Total liabilities		**607,803**	734,973	**188,504**	379,400
TOTAL EQUITY AND LIABILITIES		**1,111,066**	1,222,826	**511,258**	680,280

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

_Statements of Changes in Equity

_For The Financial Year Ended 31 December 2013

		Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Distributable retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2013		**117,674**	**11,751**	**(1,058)**	**343,651**	**472,018**	**15,835**	**487,853**
Comprehensive income:								
- Net profit for the financial year		**-**	**-**	**-**	**55,200**	**55,200**	**1,561**	**56,761**
- Other comprehensive (loss)/ income		**-**	**-**	**(3,073)**	**674**	**(2,399)**	**(1,964)**	**(4,363)**
Total comprehensive (loss)/income for the financial year		**-**	**-**	**(3,073)**	**55,874**	**52,801**	**(403)**	**52,398**
Non-controlling interest arising on incorporation of a new subsidiary		**-**	**-**	**-**	**-**	**-**	**199**	**199**
Issuance of bonus shares	27	**11,767**	**-**	**-**	**(11,767)**	**-**	**-**	**-**
Dividends	11	**-**	**-**	**-**	**(37,187)**	**(37,187)**	**-**	**(37,187)**
At 31 December 2013		**129,441**	**11,751**	**(4,131)**	**350,571**	**487,632**	**15,631**	**503,263**
At 1 January 2012		106,978	22,447	1,897	334,710	466,032	15,645	481,677
Comprehensive income:								
- Net profit for the financial year		-	-	-	61,710	61,710	1,495	63,205
- Other comprehensive (loss)/ income		-	-	(2,955)	1,361	(1,594)	(1,305)	(2,899)
Total comprehensive (loss)/income for the financial year		-	-	(2,955)	63,071	60,116	190	60,306
Issuance of bonus shares	27	10,696	(10,696)	-	-	-	-	-
Dividends	11	-	-	-	(54,130)	(54,130)	-	(54,130)
At 31 December 2012		117,674	11,751	(1,058)	343,651	472,018	15,835	487,853

	Note	Non-Distributable Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Company					
At 1 January 2013		**117,674**	**11,751**	**171,455**	**300,880**
Total comprehensive income for the financial year		**-**	**-**	**59,061**	**59,061**
Issuance of bonus shares	27	**11,767**	**-**	**(11,767)**	**-**
Dividends	11	**-**	**-**	**(37,187)**	**(37,187)**
At 31 December 2013		**129,441**	**11,751**	**181,562**	**322,754**
At 1 January 2012		106,978	22,447	40,676	170,101
Total comprehensive income for the financial year		-	-	184,909	184,909
Issuance of bonus shares	27	10,696	(10,696)	-	-
Dividends	11	-	-	(54,130)	(54,130)
At 31 December 2012		117,674	11,751	171,455	300,880

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

_Statements Of Cash Flows

_For The Financial Year Ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**1,947,477**	1,891,973	**179,737**	70,596
Cash payments to suppliers and employees		**(1,648,569)**	(1,821,093)	**(59,479)**	(6,934)
Cash generated from operations		**298,908**	70,880	**120,258**	63,662
Interest paid		**(16,149)**	(18,609)	**-**	-
Tax paid		**(33,578)**	(36,118)	**-**	-
Interest received		**1,213**	570	**-**	-
Net cash generated from operating activities		**250,394**	16,723	**120,258**	63,662
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary (net of cash acquired)	14	**-**	(48,868)	**-**	(48,868)
Proceeds from disposal of property, plant and equipment		**301**	367	**-**	-
Purchase of property, plant and equipment		**(43,514)**	(22,510)	**-**	-
Purchase of intangible assets		**(36,288)**	(56,273)	**-**	-
Gross advances to subsidiaries		**-**	-	**(23,708)**	(47,946)
Gross repayments from subsidiaries		**-**	-	**45,386**	10,166
Net cash (used in)/ generated from investing activities		**(79,501)**	(127,284)	**21,678**	(86,648)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(37,187)**	(61,351)	**(37,187)**	(61,351)
Drawdown of short term borrowings		**284,817**	592,580	**125,000**	70,000
Repayment for short term borrowings		**(418,945)**	(441,733)	**(194,635)**	(6,829)
Gross advances received from subsidiaries		**-**	-	**179,690**	92,800
Gross repayments to subsidiaries		**-**	-	**(214,056)**	(71,550)
Net cash (used in)/generated from financing activities		**(171,315)**	89,496	**(141,188)**	23,070
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(422)**	(21,065)	**748**	84
Foreign exchange differences		**(1,231)**	543	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**34,553**	55,075	**444**	360
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	22	**32,900**	34,553	**1,192**	444

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

1 GENERAL INFORMATION

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

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

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

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

Registered office:

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

Principal place of business:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group 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.

Standards, amendments to published standards and interpretation that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2013 are as follows:

• MFRS 10	Consolidated Financial Statements
• MFRS 12	Disclosures of Interests in Other Entities
• MFRS 13	Fair Value Measurement
• MFRS 127 (Revised)	Separate Financial Statements
• MFRS 128 (Revised)	Investments in Associates and Joint Ventures
• Amendments to MFRS 7	Financial Instruments: Disclosures
• Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
• Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
• Annual improvements 2009 – 2011 Cycle	

The adoption of the above standards and amendments to published standards did not have any significant impact on the financial statements of the Group and Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

- Amendments to MFRS 10 "Consolidated Financial Statements", MFRS 12 "Disclosures of Interests in Other Entities" and MFRS 127 "Separate Financial Statements" (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

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

(ii) Financial year beginning on/after 1 January 2017

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the Malaysian Accounting Standards Board.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF 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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have 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.

(iv) Associates

Associates are all entities in which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(iv) Associates (continued)

Profit and losses resulting from upstream and downstream transactions of the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Segment reporting

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

(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 SUMMARY OF 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 comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Prepaid lease payments

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

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

(g) Investments

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

On disposal of an investment, the difference between disposal proceeds and its carrying amount of the investment are recognised in profit or loss.

(h) Intangible assets

(i) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

(ii) Brand

Brand represents the brand name of a product line acquired by the Group. Brand has an indefinite useful life. Brand is tested annually for impairment and carried out at cost less accumulated impairment losses. See accounting policy Note 2(j) on impairment of non-financial assets.

(iii) Software

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

(iv) Rights to supply

(i) Concession Agreement

Expenses incurred in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the Concession Agreement, are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The expenses are amortised over the concession period of 10 years. The title of the said hardware and software vests with the Government of Malaysia.

(ii) Supply Agreement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Research and development

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

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

(j) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 cost of completion and applicable variable selling expenses.

(l) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

(n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

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

(iii) Dividends

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings and borrowing costs

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

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior years.

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

(iii) Defined benefit plan

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods and services

Revenue relating to sale of goods is recognised upon the transfer of risks and rewards of ownership of the goods net of returns and discounts. Revenue from services is recognised upon services rendered.

(ii) Contracts

Revenue from system and equipment design, planning, installation and commissioning contracts is recognised based on the percentage of completion method; the stage of completion is measured on the proportion of contract costs incurred for work performed to date over the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately. Where costs incurred on such contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amounts due from customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Dividend income

Dividend income is included in the income statement when the right to receive payment is established and no significant uncertainty exists as regards to its receipt. Interim dividends from subsidiaries are recognised when they are declared and final dividends when they are approved by shareholders in general meeting.

(t) Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income taxes (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference are not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'deposits, cash and bank balances' in the consolidated statement of financial position.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

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

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(w) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (a) adverse changes in the payment status of borrowers in the portfolio; and
  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Zakat

The Group recognised its obligations towards the payment of zakat on business in the profit or loss. Zakat payment is an option and recognised as and when the Group has a zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company has been in operation for at least 12 months, i.e. for the period known as “haul”.

Zakat rates enacted or substantively enacted by the reporting date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2013 is 2.5% of the zakat base. The zakat base of the Group is determined based on the profit after tax of eligible companies within the Group after deducting certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

(y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in the profit or loss over the period necessary to match the related costs for which the grants are intended to compensate.

(z) Contingent assets and liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases

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

Accounting by lessee

Finance leases

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

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

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

Operating leases

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

3 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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j) on impairment of non-financial assets. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These calculations require use of estimates as set out in Note 16.

Impairment of property, plant and equipment

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

Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. A production plant of a subsidiary with carrying amount of RM133.3 million as at 31 December 2013 has been reporting losses for the past three years which then led to an impairment assessment. An impairment assessment was carried out during the financial year in respect of small volume injectables produced by the plant and the key assumptions used in the value-in-use calculations are set out below.

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

(i) Contract manufacturing arrangement for vials and ampoules;
(ii) Contract manufacturing arrangement for lypholised products; and
(iii) Gross margin, growth rate and discount factor

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of property, plant and equipment (continued)

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

	Malaysia	ASEAN	European Union
2013			
Gross margin[1]	**20.1%**	**16.7%**	**25.1%**
Growth rate[2]	**5.5%**	**1.4%**	**2.8%**
Discount rate[3]	**12.2%**	**12.2%**	**12.2%**
2012			
Gross margin[1]	22.0%	26.1%	16.4%
Growth rate[2]	5.3%	8.0%	7.5%
Discount rate[3]	10.0%	10.0%	10.0%

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

Based on the impairment assessment, the recoverable amount of RM142.1 million exceeded the carrying amount of the small volume injectables production plant by RM8.8 million. Accordingly, there is no impairment on the small volume injectable production plant.

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

Assumptions	Recoverable amount RM'000	Carrying amount RM'000	Impairment RM'000
Non materialisation of a contract manufacturing arrangement for vials and ampoules	99,777	133,302	(33,525)
Non materialisation of contract manufacturing arrangements for vials, ampoules and lypholised products	92,272	133,302	(41,030)
Increase in discount rate to 13.2%	105,979	133,302	(27,323)

Deferred tax assets

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

4 REVENUE

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue consists of:					
Contracts	31	**15,264**	45,385	**-**	-
Sale of goods		**1,931,375**	1,766,961	**-**	-
Dividend income		**-**	-	**67,250**	321,850
Management fees		**-**	-	**4,418**	8,375
		1,946,639	1,812,346	**71,668**	330,225

5 COST OF SALES

	Note	Group 2013 RM'000	Group 2012 RM'000
Cost of sales consists of:			
Amortisation of intangible assets	16	**34,338**	24,601
Depreciation of property, plant and equipment	12	**20,210**	19,458
Employee benefit expenses	8	**32,819**	31,115
Finished goods and work-in-progress purchases		**1,438,332**	1,286,380
Impairment of slow moving and obsolete inventories		**2,121**	1,440
Inventories written off - net		**904**	473
Raw materials and consumables used		**75,164**	85,188
Selling and distribution costs		**23,463**	21,441
Others		**6,414**	5,620
Cost of inventories sold		**1,633,765**	1,475,716
Contracts costs	31	**15,275**	43,473
		1,649,040	1,519,189

6 FINANCE COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest expenses on:				
- bankers' acceptances	**5,849**	4,718	**-**	-
- revolving credits	4,635	6,829	**4,635**	6,829
- foreign time loan	**4,181**	3,412	**-**	-
	14,665	14,959	**4,635**	6,829

7 PROFIT BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs) have been charged in arriving at profit before zakat and taxation:

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amortisation of intangible assets	16	**577**	611	**-**	-
Amortisation of prepaid lease payments	13	**51**	51	**-**	-
Auditors' remuneration:					
- statutory audit fees					
- PricewaterhouseCoopers, Malaysia		**404**	279	**100**	91
- firms other than member firms of PricewaterhouseCoopers International Limited		**38**	142	**-**	-
- under/(over) accrual in prior years		**59**	10	**24**	(14)
- other non-audit fees		**287**	272	**54**	55
Directors' fees:					
- Executive	8	**-**	9	**-**	-
- Non-executive		**324**	352	**324**	321
Directors' other allowances and emoluments		**193**	136	**193**	136
Employee benefit expenses	8	**85,126**	88,596	**3,532**	8,551
Foreign exchange loss		**900**	-	**-**	-
Impairment loss on:					
- amount due from a subsidiary		**-**	-	**-**	45,922
- goodwill	16	**5,000**	4,853	**-**	-
- trade receivables	18	**18,388**	7,972	**-**	-
- other receivables	19	**108**	-	**-**	-
Property, plant and equipment:					
- depreciation	12	**9,454**	9,332	**-**	-
- written-off	12	**409**	215	**-**	-
Impairment of slow moving and obsolete inventories		**1,641**	1,129	**-**	-
Management fees paid/payable to immediate holding company		**337**	376	**264**	268
Rental of premises		**6,166**	6,685	**3**	1
Rental of equipment		**2,808**	2,400	**31**	3
Research and development expenses		**4,324**	1,183	**-**	-

7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

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

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Foreign exchange gains		**-**	207	**14**	-
Gain on disposal of property, plant and equipment		**212**	181	**-**	-
Rental income		**25**	64	**-**	-
Utilisation of government grants	24	**28**	309	**-**	-
Others		**333**	170	**7**	8
		598	931	**21**	8

8 EMPLOYEE BENEFIT EXPENSES

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and bonuses		**82,863**	81,322	**1,613**	5,551
Defined contribution plan		**11,148**	9,404	**299**	605
Defined benefit plan	30	**986**	1,129	**-**	-
Other short term employee benefits		**21,928**	27,037	**600**	1,576
		116,925	118,892	**2,512**	7,732
Executive director's remuneration:					
Salaries and bonuses		**900**	665	**900**	665
Fee		**-**	9	**-**	-
Defined contribution plan		**108**	87	**108**	87
Other short term employee benefits		**12**	67	**12**	67
		1,020	828	**1,020**	819
Total		**117,945**	119,720	**3,532**	8,551
Employee benefit expenses included in:					
- Cost of sales	5	**32,819**	31,115	**-**	-
- Administrative expenses	7(a)	**85,126**	88,596	**3,532**	8,551
Executive director's fees	7(a)	**-**	9	**-**	-
		117,945	119,720	**3,532**	8,551

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The estimated monetary value of benefits provided to a Director of the Company during the financial year amounted to RM65,638 (2012: RM7,200).

9 TAXATION

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax:					
- Malaysian income tax		**30,413**	29,211	**1,563**	78,275
- foreign income tax		**3,366**	1,464	**-**	-
- (over)/under accrual in prior years		**(7,512)**	5,827	**-**	3,500
		26,267	36,502	**1,563**	81,775
Deferred taxation:					
- origination and reversal of temporary differences	29	**9,969**	3,256	**-**	-
Tax expense		**36,236**	39,758	**1,563**	81,775

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before zakat and taxation	**92,997**	103,313	**60,624**	266,684
Income tax at rate of 25% (2012: 25%)	**23,249**	25,828	**15,156**	66,671
Tax effects of:				
Expenses not deductible for tax purpose	**14,765**	8,550	**1,795**	1,346
Expenses subject to double deduction	**(2,085)**	-	**-**	-
Income not subject to tax	**(203)**	(5,469)	**(15,255)**	(4,281)
Utilisation of group relief allowance	**(2,987)**	(2,506)	**-**	-
Current year's deductible temporary differences and tax losses not recognised	**6,372**	6,855	**181**	14,539
Recognition of previously unrecognised temporary differences	**(314)**	-	**(314)**	-
(Over)/under accrual of tax in prior years	**(2,561)**	6,500	**-**	3,500
Tax expense	**36,236**	39,758	**1,563**	81,775

10 EARNINGS PER SHARE

Basic earnings per share

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

The weighted average number of ordinary shares in the previous financial year was derived after taking into account the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and bonus issue of 23,534,794 new ordinary shares of RM0.50 each which was completed on 5 June 2013.

	Group	
	2013	**2012**
Net profit attributable to owners of the Company (RM'000)	**55,200**	61,710
Weighted average number of ordinary shares in issue ('000)	**258,882**	258,882
Basic earnings per share (sen)	**21.32**	23.84

11 DIVIDENDS

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

	Company			
	2013		**2012**	
	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 2013:				
- First interim single tier dividend	**3.41**	**8,827**	-	-
- Second interim single tier dividend	**3.41**	**8,827**	-	-
- Third interim single tier dividend	**3.00**	**7,766**	-	-
In respect of the financial year ended 31 December 2012:				
- First interim single tier dividend	**-**	**-**	7.5	8,826
- Second interim single tier dividend	**-**	**-**	7.5	8,826
- Third interim single tier dividend	**-**	**-**	10.0	11,767
- Fourth interim single tier dividend	**10.0**	**11,767**	-	-
In respect of the financial year ended 31 December 2011:				
- Second interim single tier dividend	**-**	**-**	21.0	24,711
	19.82	**37,187**	46.0	54,130

* The first interim single-tier dividend per share had been adjusted to reflect the Company's share split and bonus issue which were completed on 5 June 2013.

11 DIVIDENDS (CONTINUED)

Subsequent to the end of the current financial year, the Directors have declared a fourth interim single tier dividend of 6.20 sen per share amounting to RM16,050,729 in respect of the financial year ended 31 December 2013. The dividend will be paid on 2 April 2014 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2013.

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 2013						
Cost	**260,832**	**80,466**	**6,413**	**209,398**	**15,234**	**572,343**
Accumulated depreciation	**(69,730)**	**(54,506)**	**(4,593)**	**(90,146)**	**-**	**(218,975)**
Net book value	**191,102**	**25,960**	**1,820**	**119,252**	**15,234**	**353,368**
At 31 December 2012						
Cost	260,920	75,169	6,111	188,408	852	531,460
Accumulated depreciation	(61,542)	(48,017)	(5,093)	(77,148)	-	(191,800)
Net book value	199,378	27,152	1,018	111,260	852	339,660

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 2013		**199,378**	**27,152**	**1,018**	**111,260**	**852**	**339,660**
Additions		**374**	**6,090**	**1,435**	**20,489**	**15,126**	**43,514**
Disposals		**(47)**	**(36)**	**(6)**	**-**	**-**	**(89)**
Written off	7(a)	**-**	**(9)**	**-**	**(400)**	**-**	**(409)**
Reclassification		**-**	**7**	**-**	**671**	**(678)**	**-**
Depreciation charged		**(8,372)**	**(7,181)**	**(583)**	**(13,528)**	**-**	**(29,664)**
Foreign exchange adjustments		**(231)**	**(63)**	**(44)**	**760**	**(66)**	**356**
At 31 December 2013		**191,102**	**25,960**	**1,820**	**119,252**	**15,234**	**353,368**
At 1 January 2012		206,179	36,224	1,005	103,442	1,180	348,030
Additions		674	4,448	423	14,729	793	21,067
Disposals		-	-	(150)	(36)	-	(186)
Written off	7(a)	-	(177)	-	(38)	-	(215)
Reclassification		1,090	(5,735)	-	5,766	(1,121)	-
Depreciation charged		(8,481)	(7,311)	(395)	(12,603)	-	(28,790)
Foreign exchange adjustments		(84)	(297)	135	-	-	(246)
At 31 December 2012		199,378	27,152	1,018	111,260	852	339,660

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings:						
At 31 December 2013						
Cost	**25,055**	**11,478**	**113,749**	**106,761**	**3,789**	**260,832**
Accumulated depreciation	**-**	**(1,933)**	**(24,708)**	**(41,991)**	**(1,098)**	**(69,730)**
Net book value	**25,055**	**9,545**	**89,041**	**64,770**	**2,691**	**191,102**
At 31 December 2012						
Cost	25,222	11,478	113,789	106,641	3,790	260,920
Accumulated depreciation	-	(1,688)	(20,549)	(38,274)	(1,031)	(61,542)
Net book value	25,222	9,790	93,240	68,367	2,759	199,378
Movements in net book value						
At 1 January 2013	**25,222**	**9,790**	**93,240**	**68,367**	**2,759**	**199,378**
Additions	**-**	**-**	**134**	**240**	**-**	**374**
Disposals	**-**	**-**	**(47)**	**-**	**-**	**(47)**
Depreciation charged	**-**	**(245)**	**(4,246)**	**(3,717)**	**(164)**	**(8,372)**
Foreign exchange adjustments	**(167)**	**-**	**(40)**	**(120)**	**96**	**(231)**
At 31 December 2013	**25,055**	**9,545**	**89,041**	**64,770**	**2,691**	**191,102**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings: (continued)						
Movements in net book value (continued)						
At 1 January 2012	25,277	10,035	97,531	70,541	2,795	206,179
Additions	-	-	-	552	122	674
Reclassification	-	-	-	1,090	-	1,090
Depreciation charged	-	(245)	(4,266)	(3,816)	(154)	(8,481)
Foreign exchange adjustments	(55)	-	(25)	-	(4)	(84)
At 31 December 2012	25,222	9,790	93,240	68,367	2,759	199,378

	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 2013				
Cost	**19,219**	**21,640**	**39,607**	**80,466**
Accumulated depreciation	**(14,894)**	**(14,769)**	**(24,843)**	**(54,506)**
Net book value	**4,325**	**6,871**	**14,764**	**25,960**

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)				
At 31 December 2012				
Cost	18,791	18,432	37,946	75,169
Accumulated depreciation	(14,224)	(13,243)	(20,550)	(48,017)
Net book value	4,567	5,189	17,396	27,152
Movements in net book value				
At 1 January 2013	**4,567**	**5,189**	**17,396**	**27,152**
Additions	**454**	**3,223**	**2,413**	**6,090**
Disposals	**(13)**	**(16)**	**(7)**	**(36)**
Written off	**(4)**	**-**	**(5)**	**(9)**
Reclassification	**-**	**-**	**7**	**7**
Depreciation charged	**(679)**	**(1,521)**	**(4,981)**	**(7,181)**
Foreign exchange adjustments	**-**	**(4)**	**(59)**	**(63)**
At 31 December 2013	**4,325**	**6,871**	**14,764**	**25,960**
At 1 January 2012	5,004	4,422	26,798	36,224
Additions	394	1,797	2,257	4,448
Written off	(26)	(48)	(103)	(177)
Reclassification	-	8	(5,743)	(5,735)
Depreciation charged	(805)	(990)	(5,516)	(7,311)
Foreign exchange adjustments	-	-	(297)	(297)
At 31 December 2012	4,567	5,189	17,396	27,152

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of the Group of RM20,210,000 (2012: RM19,458,000) has been charged in 'cost of sales' and RM9,454,000 (2012: RM9,332,000) in 'administrative expenses'.

Property, plant and equipment under hire purchase arrangements

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

	Group	
	2013 RM'000	2012 RM'000
Plant and machinery	**2,248**	2,363
Motor vehicles	**104**	144
	2,352	2,507

13 PREPAID LEASE PAYMENTS

		Group	
	Note	2013 RM'000	2012 RM'000
Cost		**1,689**	1,689
Accumulated amortisation		**(614)**	(563)
Net book value		**1,075**	1,126
Movements in net book value			
At 1 January		**1,126**	1,177
Amortisation during the financial year	7(a)	**(51)**	(51)
At 31 December		**1,075**	1,126

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM'000	**2012 RM'000**
Unquoted shares, at cost	**357,554**	285,554
Add: Increase in investment in unquoted shares	**-**	72,000
	357,554	357,554
Less: Accumulated impairment	**(378)**	(378)
	357,176	357,176

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

			Effective equity interest (%)	
Name of company	**Principal activities**	**Paid-up capital**	**2013**	**2012**
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	RM10,000,000	**100**	100
Pharmaniaga LifeScience Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM75,000,000	**100**	100
Pharmaniaga Logistics Sdn. Bhd.	Distribution of pharmaceutical and medical products	RM40,000,000	**100**	100
Pharmaniaga Marketing Sdn. Bhd.	Trading and marketing of pharmaceutical and medical products	RM3,000,000	**100**	100

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 2013	2012
Subsidiaries of the Company (continued)				
Pharmaniaga Research Centre Sdn. Bhd.	Conduct research and development of pharmaceutical products	RM100,000	**100**	100
Pharmaniaga Pristine Sdn. Bhd.	Trading and wholesaling of consumer products	RM20,000,050	**100**	100
Insurgress Sdn. Bhd.	Dormant	RM2	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM12,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. *@	Dormant	USD50,000	**100**	100
Pharmaniaga Biovention Sdn. Bhd.	Dormant	RM2	**100**	100
Subsidiary of Pharmaniaga Logistics Sdn. Bhd.				
Pharmaniaga Biomedical Sdn. Bhd.	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 2013	2012
Subsidiaries of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *#	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia	Rp72,800,000,000	**55**	55
PT Mega Pharmaniaga *#	Trading and marketing of pharmaceutical and medical products in Indonesia	Rp11,372,400,000	**95**	-

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia
@ Incorporated in Republic of Seychelles
\# Incorporated in Indonesia

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the financial year, the Group had via its wholly owned subsidiary, Pharmaniaga International Corporation Sdn. Bhd., subscribed for 95% of equity interest in PT Mega Pharmaniaga with an issued and paid-up share capital of Rp11,372,400,000 (equivalent to RM3,773,400) comprising 1,140,000 ordinary shares of IDR9,477 each.

In the previous financial year, the Company has:

(i) subscribed to additional 72,000,000 ordinary shares of RM1.00 each in Pharmaniaga LifeScience Sdn. Bhd., for a total consideration of RM72,000,000 by way of capitalisation of amounts due from the subsidiary company; and
(ii) settled the remaining purchase consideration for the acquisition of 49% equity interest in Idaman Pharma Manufacturing Sdn. Bhd. of RM48.9 million.

Summarised financial information on a subsidiary with material non-controlling interest

Set out below are the summarised financial information for a subsidiary, PT Millennium Pharmacon International TbK that has non-controlling interest that are material to the Group.

Summarised statement of financial position

	2013 RM'000	2012 RM'000
Current		
Assets	**122,003**	115,927
Liabilities	**(91,407)**	(84,725)
Total current net assets	**30,596**	31,202
Non-current		
Assets	**5,608**	6,487
Liabilities	**(4,439)**	(4,406)
Total non-current net assets	**1,169**	2,081
Net assets	**31,765**	33,283
Net assets attributable to non-controlling interest at the end of the financial year	**14,294**	14,977

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information on a subsidiary with material non-controlling interest (continued)

Summarised income statement

	2013 RM'000	2012 RM'000
Revenue	**410,779**	389,390
Profit before taxation	**6,552**	4,563
Taxation	**(2,998)**	(1,239)
Net profit for the financial year	**3,554**	3,324
Other comprehensive loss	**(4,363)**	(2,900)
Total comprehensive (loss)/income net of tax for the financial year	**(809)**	424
Total comprehensive (loss)/income allocated to non-controlling interest	**(364)**	191

Summarised statement of cash flows

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	**(9,908)**	4,300
Interest paid	**(3,677)**	(3,403)
Tax paid	**(3,236)**	(388)
Net cash (used in)/generated from operating activities	**(16,821)**	509
Net cash used in investing activities	**(609)**	(55)
Net cash generated from financing activities	**15,034**	1,354
Net changes in cash and cash equivalents	**(2,396)**	1,808
Cash and cash equivalents at beginning of financial year	**8,728**	6,377
Foreign exchange differences	**(1,233)**	543
Cash and cash equivalents at end of financial year	**5,099**	8,728

15 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	**19**	19	**19**	19

The Group's aggregate share of assets and liabilities of the associate are as follows:

	Group	
	2013 RM'000	2012 RM'000
<u>Assets</u>		
Current assets	**19**	19

Details of the associate is as follows:

			Effective equity interest (%)	
Name of company	**Principal activities**	**Paid-up capital**	**2013**	**2012**
Pharmacare Asia Holdings (Cayman) Limited *+	Dormant, pending striking off	USD4,900	**49**	49

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

\+ Incorporated in Cayman Island

16 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group						
Cost						
At 1 January 2013		89,825	-	4,054	89,776	183,655
Additions		-	-	-	15,205	15,205
Foreign exchange adjustments		-	-	(708)	-	(708)
At 31 December 2013		89,825	-	3,346	104,981	198,152
Accumulated amortisation						
At 1 January 2013		-	-	1,507	24,972	26,479
Amortisation charged		-	-	577	34,338	34,915
Foreign exchange adjustments		-	-	(403)	-	(403)
At 31 December 2013		-	-	1,681	59,310	60,991
Accumulated impairment						
At 1 January 2013		7,653	-	-	-	7,653
Impairment charge for the financial year	7(a)	5,000	-	-	-	5,000
At 31 December 2013		12,653	-	-	-	12,653
Net book value						
At 31 December 2013		77,172	-	1,665	45,671	124,508

16 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group (continued)						
Cost						
At 1 January 2012		89,825	1,000	4,491	12,108	107,424
Additions		-	-	-	77,668	77,668
Written off		-	(1,000)	-	-	(1,000)
Foreign exchange adjustments		-	-	(437)	-	(437)
At 31 December 2012		89,825	-	4,054	89,776	183,655
Accumulated amortisation						
At 1 January 2012		-	-	1,067	371	1,438
Amortisation charged		-	-	611	24,601	25,212
Foreign exchange adjustments		-	-	(171)	-	(171)
At 31 December 2012		-	-	1,507	24,972	26,479
Accumulated impairment						
At 1 January 2012		2,800	1,000	-	-	3,800
Impairment charge for the financial year	7(a)	4,853	-	-	-	4,853
Written off		-	(1,000)	-	-	(1,000)
At 31 December 2012		7,653	-	-	-	7,653
Net book value						
At 31 December 2012		82,172	-	2,547	64,804	149,523

16 INTANGIBLE ASSETS (CONTINUED)

Amortisation of RM34,338,000 (2012: RM24,601,000) is included in 'cost of sales' and RM577,000 (2012: RM611,000) in 'administrative expenses' in profit or loss.

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

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

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	2013			2012		
	Logistics and distribution RM'000	**Manufacturing RM'000**	**Total RM'000**	**Logistics and distribution RM'000**	**Manufacturing RM'000**	**Total RM'000**
Malaysia	**15,901**	**58,205**	**74,106**	20,901	58,205	79,106
Indonesia	**3,066**	**-**	**3,066**	3,066	-	3,066
	18,967	**58,205**	**77,172**	23,967	58,205	82,172

Logistics and distribution

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

16 INTANGIBLE ASSETS (CONTINUED)

Logistics and distribution (continued)

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

	2013	2012
Growth rate[1] (%)	**10.0**	10.0
Gross margin[2] (%)	**15.0**	10.0
Discount rate[3] (%)	**12.2**	10.0
Local university projects[4] (RM'000)	**-**	8,172
Non-profit organisation project[5] (RM'000)	**-**	37,000
General hospital project[6] (RM'000)	**-**	70,000
Local hospital project[7] (RM'000)	**760**	9,500
Sale of medical equipment[8] (RM'000)	**5,561**	32,909

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

The assumptions have been used for the analysis of each CGU within the business segment. The Directors have determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Management considers that the potential economic benefits from this CGU to be insufficient and an impairment loss of RM5.0 million have been recognised for the financial year.

Management's judgement is involved in estimating the future cash flows of trading and installation of medical and hospital equipment of a subsidiary. The "value-in-use" is sensitive to the projected cash flows during the explicit projection period.

Any reasonable change in the key assumptions used will not result in any impairment loss.

Manufacturing

The key assumptions for the recoverable amounts of this CGU are management's estimates of net cash flows over 3 years based on an average growth rate of 5.2% (2012: 7.9%) and discounting the future cash flows at a discount rate of 12.2% (2012: 10.0%). Management considers that the potential economic benefits from this CGU to be sufficient and no impairment loss to be recognised for the financial year. Any reasonable possible change in the key assumptions used will not result in any impairment loss.

17 INVENTORIES

	Group 2013 RM'000	2012 RM'000
Raw materials	**28,651**	23,602
Packaging materials	**14,323**	13,679
Work-in-progress	**7,960**	4,871
Finished goods	**359,597**	422,703
	410,531	464,855

18 TRADE RECEIVABLES

	Note	Group 2013 RM'000	2012 RM'000
Trade receivables		**158,038**	208,308
Less: Provision for impairment of trade receivables		**(18,054)**	(13,415)
		139,984	194,893
Amounts due from customers on contracts	31	**3,418**	4,642
		143,402	199,535

The credit terms of trade receivables range from 30 days to 120 days (2012: 30 days to 120 days).

18 TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Neither past due nor impaired	**45,485**	52,031
Past due but not impaired:		
- Less than three months	**59,773**	49,254
- Between three to six months	**11,519**	9,573
- Between six months and one year	**9,400**	68,526
- Greater than one year	**13,807**	15,509
	94,499	142,862
Impaired:		
- Greater than one year	**18,054**	13,415
	158,038	208,308

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

As at 31 December 2013, trade receivables of RM94.5 million (2012: RM142.9 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

18 TRADE RECEIVABLES (CONTINUED)

Trade receivables that are impaired

As at 31 December 2013, trade receivables of RM18.1 million (2012: RM13.4 million) were impaired and provided for. The individually impaired receivables mainly relate to private customers, which are in unexpectedly difficult economic situations.

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

		Group	
	Note	2013 RM'000	2012 RM'000
At 1 January		**13,415**	6,754
Provision for impairment during the financial year	7(a)	**18,388**	7,972
Written off		**(13,749)**	(1,311)
At 31 December		**18,054**	13,415

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

The maximum exposure of credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

19 OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	**2,413**	4,394	**9**	35
Less: Provision for impairment of other receivables	**(108)**	(2,010)	**-**	-
	2,305	2,384	**9**	35
Prepayments	**16,929**	14,397	**61**	108
Deposits	**6,121**	1,973	**28**	37
	25,355	18,754	**98**	180

19 OTHER RECEIVABLES (CONTINUED)

Ageing analysis of other receivables

The ageing analysis of other receivables is as follows:

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	**433**	677
Past due but not impaired:		
- Less than three months	**1,609**	1,605
- Between three to six months	**209**	102
- Between six months and one year	**34**	-
- Greater than one year	**20**	-
	1,872	1,707
Impaired:		
- Greater than one year	**108**	2,010
	2,413	4,394

Other receivables that are neither past due nor impaired

Other receivables of the Company of RM9,000 (2012: RM35,000) are neither past due nor impaired.

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

Other receivables that are past due but not impaired

As at 31 December 2013, other receivables (excluding prepayments) of the Group amounting to RM1.9 million (2012: RM1.7 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

19 OTHER RECEIVABLES (CONTINUED)

Other receivables that are impaired

As at 31 December 2013, other receivables of the Group of RM0.1 million (2012: RM2.0 million) were impaired and provided for. The individually impaired receivable relate to a private customer, which is currently under dispute.

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

		Group	
	Note	2013 RM'000	2012 RM'000
At 1 January		2,010	2,010
Provision for impairment during the financial year	7(a)	108	-
Written off		(2,010)	-
At 31 December		108	2,010

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

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Non-current		
Amount due from a subsidiary	104,945	92,982
Less: Provision for impairment of amount due from a subsidiary	(45,922)	(45,922)
Amount due from a subsidiary - net	59,023	47,060

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

The carrying amount of the non-current amount due from a subsidiary approximates its fair value. The fair value is based on cash flows discounted using a rate based on the borrowing rate of 6% (2012: 6%). The fair value is within Level 3 of the fair value hierarchy.

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(a) Amounts due from subsidiaries (continued)

	Company	
	2013 RM'000	**2012 RM'000**
Current		
Amounts due from subsidiaries	**117,881**	124,482
Less: Provision for impairment of amounts due from subsidiaries	**(24,131)**	(24,131)
Amounts due from subsidiaries - net	**93,750**	100,351

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for advances to a subsidiary of RM48.2 million (2012: RM83.3 million) that bears interest at 3.90% to 4.73% (2012: 4.68% to 4.89%) per annum.

As at 31 December 2013, the amounts due from subsidiaries of RM70.0 million (2012: RM70.0 million) were impaired and provided for. The individually impaired receivable relate to subsidiaries, for which there are no expectation of recovery. The remaining balances of RM152.8 million (2012: RM147.4 million) were not impaired as there is no expectation of default based on expected future operational cash flows of these subsidiaries.

(b) Amounts due to subsidiaries

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

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

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

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	**23,866**	30,034	**1,192**	444
Deposits with licensed banks	**9,034**	4,519	**-**	-
	32,900	34,553	**1,192**	444

Deposits with licensed banks of the Group as at the end of financial year have an average maturity period of 3 (2012: 3) days and a weighted average effective interest rate of 3.00% (2012: 2.95%) per annum.

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

23 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2012: 30 days to 120 days).

24 OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	**22,018**	46,430	**1,399**	2,227
Accruals	**26,025**	24,907	**332**	1,629
	48,043	71,337	**1,731**	3,856

In the previous financial year, other payables of the Group included the remaining novation consideration payable to IPSB amounting to RM21.1 million pursuant to the Novation Agreement between IPMSB, IPSB and PLSB. The amount was settled in cash during the financial year.

In the previous financial year, included in other payables of the Group were government grants relating to Kacip Fatimah project amounting to RM28,000.

24 OTHER PAYABLES (CONTINUED)

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

	Note	Group 2013 RM'000	Group 2012 RM'000
At 1 January		**28**	337
Utilisation during the financial year	7(b)	**(28)**	(309)
At 31 December		**-**	28

25 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

26 LOANS AND BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Current</u>				
Unsecured:				
- Bankers' acceptances	**50,805**	149,518	**-**	-
- Revolving credits	**105,000**	155,000	**55,000**	120,000
- Foreign time loan	**43,596**	36,393	**-**	-
	199,401	340,911	**55,000**	120,000
Secured:				
- Hire purchase	**161**	66	**-**	-
	199,562	340,977	**55,000**	120,000

26 LOANS AND BORROWINGS (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Secured:				
- Hire purchase	318	72	-	-
Total				
Bankers' acceptances	50,805	149,518	-	-
Revolving credits	105,000	155,000	55,000	120,000
Foreign time loan	43,596	36,393	-	-
Hire purchase	479	138	-	-
	199,880	341,049	55,000	120,000
Hire purchase liabilities				
Minimum payments:				
- Payable within 1 year	200	78	-	-
- Payable between 1 and 5 years	359	74	-	-
	559	152	-	-
Less: Future finance charges	(80)	(14)	-	-
Present value of liabilities	479	138	-	-

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

26 LOANS AND BORROWINGS (CONTINUED)

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

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	Repayment terms >1 year RM'000	Total carrying amount RM'000
Group						
At 31.12.2013						
Bankers' acceptances	**4.97**	**50,805**	**-**	**50,805**	**-**	**50,805**
Revolving credits	**4.12**	**105,000**	**-**	**105,000**	**-**	**105,000**
Foreign time loan*	**10.01**	**-**	**43,596**	**43,596**	**-**	**43,596**
Hire purchase	**5.25**	**479**	**-**	**161**	**318**	**479**
		156,284	**43,596**	**199,562**	**318**	**199,880**
At 31.12.2012						
Bankers' acceptances	3.15	149,518	-	149,518	-	149,518
Revolving credits	3.62	155,000	-	155,000	-	155,000
Foreign time loan*	9.75	-	36,393	36,393	-	36,393
Hire purchase	4.21	138	-	66	72	138
		304,656	36,393	340,977	72	341,049
Company						
At 31.12.2013						
Revolving credits	**3.90**	**55,000**	**-**	**55,000**	**-**	**55,000**
At 31.12.2012						
Revolving credits	4.68	120,000	-	120,000	-	120,000

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

<u>Foreign time loan</u>

The foreign time loan was drawn down to finance the procurement of vehicle and building. The foreign time loan is denominated in Indonesian Rupiah.

26 LOANS AND BORROWINGS (CONTINUED)

The fair values of current and non-current loans and borrowings equal their carrying amounts, as the impact of discounting is not significant.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	**156,269**	304,619	**55,000**	120,000
Indonesian Rupiah	**43,611**	36,430	**-**	-
	199,880	341,049	**55,000**	120,000

27 SHARE CAPITAL

	Group and Company	
	2013 RM'000	2012 RM'000
Ordinary shares of RM0.50 each:		
Authorised:		
At beginning and end of the financial year	**300,000**	-
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of the financial year	**-**	300,000
Issued and fully paid ordinary shares of RM0.50 each (2012: RM1 each):		
At 1 January	**117,674**	106,978
Issuance of shares	**11,767**	10,696
At 31 December	**129,441**	117,674

27 SHARE CAPITAL (CONTINUED)

During the financial year, the Company has undertaken a Share Split that entails subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each ("Subdivided shares").

Subsequently, the Company increased its issued and paid up ordinary share capital from RM117,673,969 to RM129,441,366 by way of bonus issue of 23,534,794 new ordinary shares of RM0.50 each to be credited as fully paid-up, on the basis of one (1) bonus share for every ten (10) Subdivided shares held via capitalisation of retained earnings amounting to RM11,767,397.

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

28 RETAINED EARNINGS

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

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

Subject to the agreement by the Inland Revenue Board, the Company has tax exempt income to frank the payment of tax exempt dividends up to RM1,666,574 (2012: RM1,666,574).

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	
	2013 RM'000	**2012 RM'000**
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**440**	209
- Deferred tax assets to be recovered within 12 months	**6,185**	8,928
	6,625	9,137
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**(11,984)**	(3,654)
- Deferred tax liabilities to be recovered within 12 months	**(850)**	(1,483)
	(12,834)	(5,137)
Deferred tax (liabilities)/assets (net)	**(6,209)**	4,000

29 DEFERRED TAXATION (CONTINUED)

	Note	Group 2013 RM'000	Group 2012 RM'000
At beginning of financial year		**4,000**	7,256
(Charged)/credited to income statement:			
- property, plant and equipment		**5,247**	(8,745)
- provisions		**(5,450)**	6,370
- unutilised tax losses		**(5)**	(881)
- unabsorbed capital allowances		**1,076**	-
- intangible asset		**(10,837)**	-
	9	**(9,969)**	(3,256)
Foreign exchange adjustment		**(240)**	-
At end of financial year		**(6,209)**	4,000
Subject to income tax			
Deferred tax assets (before offsetting):			
- property, plant and equipment		**-**	3
- provisions		**11,968**	17,658
- unutilised tax losses		**472**	477
- unabsorbed capital allowances		**1,076**	-
		13,516	18,138
Offsetting		**(6,891)**	(9,001)
Deferred tax assets (after offsetting)		**6,625**	9,137
Deferred tax liabilities (before offsetting):			
- property, plant and equipment		**(8,888)**	(14,138)
- intangible asset		**(10,837)**	-
		(19,725)	(14,138)
Offsetting		**6,891**	9,001
Deferred tax liabilities (after offsetting)		**(12,834)**	(5,137)

29 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Unutilised tax losses	**106,809**	109,221	**27,799**	27,073
Unabsorbed capital allowances	**10,976**	5,083	**-**	-
Deductible temporary differences	**10,757**	10,544	**46,580**	47,837
	128,542	124,848	**74,379**	74,910
Deferred tax assets not recognised at 24% (2012: 25%)	**30,850**	31,212	**17,851**	18,728

30 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiary in Indonesia operates an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003. The latest actuarial valuation of the plan was carried out on 19 December 2013.

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

	Group	
	2013 RM'000	**2012 RM'000**
Present value of unfunded defined benefit obligations	**4,789**	6,036
Analysed as:		
Non-current	**4,789**	6,036

30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

	Group 2013 RM'000	Group 2012 RM'000
Actuarial gains recognised in the statements of comprehensive income	**1,225**	56
Cumulative actuarial losses recognised in the statements of comprehensive income	**349**	1,574

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

	Note	Group 2013 RM'000	Group 2012 RM'000
At 1 January		**6,036**	5,493
Charged to income statement		**986**	1,129
Contributions paid during the financial year		**(225)**	(134)
Recognition of actuarial gains		**(1,225)**	(56)
Foreign exchange adjustments		**(783)**	(396)
At 31 December		**4,789**	6,036
The amounts recognised in the income statement are as follows:			
Current service cost		**646**	797
Interest cost		**340**	332
Total, included in employee benefit expenses	8	**986**	1,129

30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

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

	Group	
	2013 **%**	**2012** **%**
Discount rate	**8.5**	6.0
Expected rate of salary increase	**7.0**	7.0

There is no experience adjustment on plan assets and plan liabilities for the current and previous financial year.

31 AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

		Group	
	Note	**2013** **RM'000**	**2012** **RM'000**
Aggregate costs incurred to-date		**37,899**	37,828
Add: Attributable profits		**8,075**	8,096
		45,974	45,924
Less: Progress billings		**(42,556)**	(41,282)
Amounts due from customers on contracts	18	**3,418**	4,642
Contract revenue recognised during the financial year	4	**15,264**	45,385
Contract costs recognised as expense during the financial year	5	**15,275**	43,473

32 SEGMENTAL REPORTING

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

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

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

(a) Analysis by business segments

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2013				
Revenue				
External sales	1,945,949	690	-	1,946,639
Inter-segment sales	2,902	320,842	(323,744)	-
Total revenue	1,948,851	321,532	(323,744)	1,946,639
Results				
Segment results	32,247	62,914	11,249	106,410
Finance costs	(14,485)	(2,497)	2,317	(14,665)
Interest income	3,559	10	(2,317)	1,252
Profit before zakat and taxation	21,321	60,427	11,249	92,997
Taxation				(36,236)
Net profit for the financial year				56,761

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2013				
Other information				
Segment assets	1,313,900	516,434	(719,287)	1,111,047
Investment in an associate	19	-	-	19
Total assets	1,313,919	516,434	(719,287)	1,111,066
Segment liabilities	825,004	283,311	(500,512)	607,803
Capital expenditure on property, plant and equipment and intangible assets	20,884	37,835	-	58,719
Impairment of goodwill in a subsidiary	5,000	-	-	5,000
Depreciation of property, plant and equipment	7,496	21,818	350	29,664
Amortisation of prepaid lease payments	51	-	-	51
Amortisation of intangible assets	7,052	27,863	-	34,915
Non-cash expenses other than depreciation and amortisation	28,641	3,782	(7,140)	25,283

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

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

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2012				
Other information				
Segment assets	1,759,412	659,798	(1,196,403)	1,222,807
Investment in an associate	19	-	-	19
Total assets	1,759,431	659,798	(1,196,403)	1,222,826
Segment liabilities	1,254,107	395,062	(914,196)	734,973
Capital expenditure on property, plant and equipment and intangible assets	31,571	67,164	-	98,735
Impairment of goodwill in a subsidiary	4,853	-	-	4,853
Depreciation of property, plant and equipment	7,344	20,738	708	28,790
Amortisation of prepaid lease payments	51	-	-	51
Amortisation of intangible assets	4,314	20,898	-	25,212
Non-cash expenses other than depreciation and amortisation	10,408	1,504	-	11,912

32 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets RM'000
Geographical markets		
2013		
Malaysia	**1,523,050**	**475,074**
Indonesia	**410,929**	**3,896**
Other countries	**12,660**	**-**
	1,946,639	**478,970**
2012		
Malaysia	1,410,543	485,424
Indonesia	389,809	4,904
Other countries	11,994	-
	1,812,346	490,328

Revenue is based on the country in which the customer is located.

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

Revenues of approximately RM1.5 billion (2012: RM1.3 billion) are derived from a single external customer. These revenues are attributable to Logistics and distribution and Manufacturing segments. The single external customer with revenue equal or more than 10% of the Group's total revenue is disclosed in Note 36(g).

33 CAPITAL COMMITMENTS

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

	Group	
	2013 RM'000	**2012 RM'000**
Authorised and contracted for:		
- acquisition of property, plant and equipment	**9,524**	12,528
- acquisition of a subsidiary	**70,200**	-
Authorised but not contracted for:		
- acquisition of property, plant and equipment	**36,171**	5,316

34 CONTINGENT LIABILITIES - UNSECURED

	Group	
	2013 RM'000	**2012 RM'000**
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	**45,000**	45,000
Bank guarantees for projects and utilities undertaken by subsidiaries	**31,668**	26,483

35 OPERATING LEASE OBLIGATION

Group as a lessee

The Group has several non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 2 to 5 years with renewal option included in the contracts.

	Group	
	2013 RM'000	**2012 RM'000**
Within 1 year	**2,570**	2,215
Later than 1 year but not later than 5 years	**1,538**	1,648
	4,108	3,863

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and Company, if the Group and Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group or Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
(a) Immediate holding company				
• Management fees	**337**	376	**264**	268
• Corporate and administrative support services	**750**	807	**-**	-

	Group	
	2013 RM'000	**2012 RM'000**
(b) Subsidiaries of the immediate holding company		
• Travelling and accommodation	**1,036**	1,558
• Rental of warehousing facilities	**1,092**	1,093
• Provision of warehousing services	**1,006**	1,112
(c) Related parties by way of common directors		
• Purchase of pharmaceuticals products	**120,682**	88,446
• Consultant fees	**48**	28

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Company	
	2013 RM'000	**2012 RM'000**
(d) Subsidiaries		
• Interest income on advances to a subsidiary	**2,317**	3,556
• Dividend income from subsidiaries	**67,250**	321,850
• Management fees charged to subsidiaries	**4,418**	8,375
(e) Payment of expenses made on behalf:		
• by subsidiaries	**582**	6,726
• for subsidiaries	**(116,579)**	(24,259)

(f) Remuneration of key management personnel

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Salaries, bonuses and allowances	**4,291**	3,577	**900**	3,577
Social contribution cost	**3**	3	**1**	3
Defined contribution plan	**539**	457	**108**	457
Estimated monetary value of benefits by way of usage of Group assets	**205**	30	**65**	30
Fee	**-**	9	**-**	-
Others	**63**	124	**11**	124
	5,101	4,200	**1,085**	4,191

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Government-related entities

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

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

	Group	
	2013 RM'000	**2012 RM'000**
Sale of goods to MOH	**1,461,675**	1,311,338
Amount due from MOH	**37,347**	38,144

(h) Significant outstanding balances

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
<u>Amounts due from</u>				
Subsidiaries	**-**	-	**152,773**	147,411
Related companies	**68**	-	**-**	-
<u>Amounts due to</u>				
Immediate holding company	**200**	179	**174**	155
Subsidiaries	**-**	-	**131,599**	255,351
Related companies	**1,944**	2,612	**-**	38

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

37 SIGNIFICANT AND SUBSEQUENT EVENTS

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

(a) On 29 August 2013, the Board of Directors of the Company has announced that Pharmaniaga International Corporation Sdn. Bhd. ("Pharmaniaga Corp"), a wholly-owned subsidiary of Pharmaniaga Berhad, and PT Dasar Technologi (collectively referred to as the "Purchasers") had entered into a Binding Agreement ("BA") with Sutjipto Tjengudoro and Hendrijanto Surjosuseno (collectively referred to as the "Sellers") to acquire 40,000 ordinary shares in PT Errita Pharma ("ERRITA") representing the entire issued and paid up share capital of ERRITA for a cash payment of USD18.0 million and cash payment of up to USD6.0 million representing the total liabilities of ERRITA ("the Proposed Acquisition").

On 18 February 2014, a Supplementary Agreement to the BA dated 29 August 2013 was entered into between the Sellers and Purchasers ("Parties") to vary and amend the terms and conditions of the BA and consequently, the conditions precedent as set out in the BA have been fulfilled. Upon the fulfilment of the conditions precedent as set out in the BA, the Parties have proceeded to complete the Proposed Acquisition.

With the completion of the Proposed Acquisition, besides the liabilities of ERRITA which shall be payable in the manner as set out in the Escrow Agreement, the remaining outstanding liability payable by the Purchasers shall be a sum not exceeding USD5.4 million being the amount of tax payable to the relevant authorities pursuant to the BA. The Purchasers are expected to settle the said tax liability for a sum not exceeding USD5.4 million by 10 March 2014.

The total costs incurred by the Purchasers for the purpose of this acquisition shall be USD29.4 million, of which Pharmaniaga Corp shall bear USD22.05 million representing 75% of the equity interest in ERRITA.

On 18 February 2014, the following agreements have been entered into between the Parties:

(i) Akta Jual Beli between Sutjipto Tjengundoro and Pharmaniaga Corp to effect the transfer of shares of ERRITA in favour of Pharmaniaga Corp
(ii) Shareholders' Agreement between Pharmaniaga Corp and PT Dasar Technologi to govern the relationship of the parties as the new shareholders of ERRITA
(iii) Escrow Agreement between Pharmaniaga Corp and Sutjipto Tjengundoro to effect the opening of escrow account with PT Bank Bukopin Tbk, acting as stakeholder and custodian of USD10.2 million being total liabilities of ERRITA which shall be maintained as security for the repayment of any liabilities of ERRITA in the manner as provided in the Escrow Agreement

(b) On 20 May 2013, the Company has announced that a joint venture agreement ("JV Agreement") with Modern Healthcare Solutions Company Limited and Pharmaniaga Berhad to form and operate a joint venture limited liability company ("JV Company") in the Kingdom of Saudi Arabia. Upon the fulfillment of conditions precedents, the JV Company will be incorporated with each Party having a 50% equity interest in the share capital of the JV Company.

On 17 February 2014, the Parties have agreed to extend the validity of the JV Agreement for another three (3) months until 17 May 2014 to finalise certain documentation required to effect the completion of the formation of the JV Company and the satisfaction or waiver of the conditions precedent.

38 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group has a written risk management framework which sets out their overall business strategies, their tolerance to risk and has established processes to monitor and control the risks. Such framework is approved by the Board of Directors and quarterly reviews are undertaken as required.

<u>Financial risk factors</u>

(a) Market risk

(i) Foreign currency exchange risk

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

To manage the foreign exchange risk causing from future commercial transactions and recognised assets and liabilities, the Group enters into contracts in Ringgit Malaysia denomination, where possible. Foreign currency exchange risk arises when current commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2013, if the functional currency had weakened/strengthened by 5% against the IDR with all other variables held constant, the impact on equity would have been approximately RM312,000 (2012: RM148,000) higher/lower on translation upon consolidation. No impact to income statement as the financial assets and liabilities denominated in IDR are in respect of a foreign subsidiary where trade is conducted in the entity's functional currency.

As at 31 December 2013, if the functional currency had weakened/strengthened by 5% against US Dollar with all other variables held constant, post tax profit for the financial year would have been RM51,000 (2012: RM122,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of US Dollar - denominated trade payables, other payables, trade receivables and deposits, cash and bank balances.

As at 31 December 2013, if the functional currency had weakened/strengthened by 5% against Euro with all other variables held constant, post tax profit for the financial year would have been RM166,000 (2012: RM20,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Euro - denominated trade and other payables.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

The financial assets and liabilities of the Group are denominated in Ringgit Malaysia. The currency exposure of financial assets and financial liabilities of the Group that are not denominated in its functional currency is set out below:

	Currency exposure at 31.12.2013	
	US Dollar RM'000	Euro RM'000
Trade receivables	**3,454**	**-**
Deposits, cash and bank balances	**637**	**-**
Trade payables	**(3,074)**	**(2,403)**
Other payables	**-**	**(920)**
	1,017	**(3,323)**

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

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

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

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

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

As at 31 December 2013, if interest rates on Ringgit Malaysia - denominated borrowings of the Group and Company had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group and the Company would have been RM1,412,000 (2012: RM1,158,000) and RM583,000 (2012: RM774,000) higher/lower respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2013, if interest rates on Indonesian Rupiah - denominated borrowings of the Group had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group would have been RM160,000 (2012: RM183,000) higher/lower respectively, mainly as a result of lower/higher interest expense on floating rate borrowings.

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

(b) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

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

For trade and other receivables, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position after deducting any impairment allowance. See Note 18 and 19 for further disclosure on credit risk.

Credit quality of financial assets

Information regarding credit quality of trade and other receivables is disclosed in Note 18 and 19 respectively. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group and the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Group				
At 31 December 2013				
Financial assets				
Trade receivables	**143,402**	**-**	**-**	**-**
Other receivables	**8,426**	**-**	**-**	**-**
Deposits, cash and bank balances	**32,900**	**-**	**-**	**-**
Amounts due from related companies	**68**	**-**	**-**	**-**
Financial liabilities				
Loans and borrowings	**19**	**199,570**	**304**	**67**
Trade payables	**337,417**	**-**	**-**	**-**
Other payables	**48,043**	**-**	**-**	**-**
Amount due to immediate holding company	**200**	**-**	**-**	**-**
Amounts due to related companies	**1,944**	**-**	**-**	**-**
At 31 December 2012				
Financial assets				
Trade receivables	199,535	-	-	-
Other receivables	4,357	-	-	-
Deposits, cash and bank balances	34,553	-	-	-
Financial liabilities				
Loans and borrowings	11	340,966	72	-
Trade payables	306,162	-	-	-
Other payables	71,337	-	-	-
Amount due to immediate holding company	179	-	-	-
Amounts due to related companies	2,612	-	-	-

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Company				
At 31 December 2013				
Financial assets				
Other receivables	**37**	**-**	**-**	**-**
Deposits, cash and bank balances	**1,192**	**-**	**-**	**-**
Amounts due from subsidiaries	**93,750**	**-**	**-**	**104,945**
Financial liabilities				
Loans and borrowings	**55,000**	**-**	**-**	**-**
Other payables	**1,731**	**-**	**-**	**-**
Amount due to immediate holding company	**174**	**-**	**-**	**-**
Amounts due to subsidiaries	**131,599**	**-**	**-**	**-**
At 31 December 2012				
Financial assets				
Other receivables	72	-	-	-
Deposits, cash and bank balances	444	-	-	-
Amounts due from subsidiaries	100,351	-	-	92,982
Dividend receivable	175,050	-	-	-
Financial liabilities				
Loans and borrowings	120,000	-	-	-
Other payables	3,856	-	-	-
Amount due to immediate holding company	155	-	-	-
Amounts due to subsidiaries	255,351	-	-	-
Amounts due to related companies	38	-	-	-

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The gearing ratios are as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Total loans and borrowings (Note 26)	**199,880**	341,049
Total equity	**503,263**	487,853
Gearing ratio (times)	**0.4**	0.7

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

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

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

The Group has complied with these financial covenants for 2013.

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 other than the non-current amount due from a subsidiary disclosed in Note 20(a).

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2014.

40 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained profits of the Company and its subsidiaries:				
- realised profits	**373,704**	418,077	**181,562**	171,455
- unrealised profits	**(10,209)**	2,941	**-**	-
	363,495	421,018	**181,562**	171,455
Less: Consolidation adjustments	**(12,924)**	(77,367)	**-**	-
Total retained profits	**350,571**	343,651	**181,562**	171,455

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

_Additional Disclosures

1. **UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**

   There were no proceeds received during the current financial year.

2. **SHARE BUY BACKS DURING THE FINANCIAL YEAR**

   The Company did not carry out any share buy back exercises during the financial year ended 31 December 2013.

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED**

   The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2013.

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

   The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2013.

5. **VARIATION IN RESULT**

   There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2013.

6. **PROFIT GUARANTEE**

   There was no profit guarantee given by the Company and its Subsidiaries during the financial year ended 31 December 2013.

7. **MATERIAL CONTRACTS**

   There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

_Group Property List
_As At 31 December 2013

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2013 (RM'000)	Date of Revaluation/ Acquisition
Lot PT 46016, H.S. (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	19	27,273	14 March 2005
Lot PT 46016, H.S. (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, a chiller plant building and a guard house	17,414	Freehold	16	14,783	14 March 2005
Geran 44309 of Lot 7 of Mukim Pekan Puchong Perdana and District of Petaling, Selangor Darul Ehsan **Industrial Premises:** No 7, Jalan PPU 3, Taman Perindustrian Puchong, 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 and a guard house	28,041	Freehold	13	61,594	21 August 2001

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2013 (RM'000)	Date of Revaluation/ Acquisition
Lot PT 1157, H.S. (M) 9726, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **Factory:** No 11A, Jalan P/1, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A parcel of industrial land with 3 industrial buildings, an office/ workshop, a canteen, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	28	20,375	28 August 1991
Lot 1024, Block 7, Muara Tebas Land, District of Kuching, Sarawak **Industrial Premises:** Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak	A parcel of industrial land with a 2-storey office, warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	17	6,756	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	6,111	Leasehold of 66 years, expiring on 21 December 2033	11/36	3,721	21 January 2002

_Group Property List
_As At 31 December 2013

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2013 (RM'000)	Date of Revaluation/ Acquisition
H.S. (M) 1479, H.S. (M) 1480 and H.S. (M) 1481, Lot No 3806, 3807 and 3808, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang **Industrial Premises:** Nos. 1, 3 & 5, Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Seberang Perai, Pulau Pinang	3 contiguous 1 1/2 semi detached warehouse with office	2,175	Freehold	16	1,113	11 November 1998
Flat Nos. 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	20	2	10 June 1993 and 19 July 1995
Flat Nos. 501, 503, 505 and 507, 4th Floor, Block 10, Jalan 6C/11, Section 16, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	4 units of 2-bedrooms flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	18	*0	11 June 1993
Lot PT 10908, H.S. (M) 9124, Mukim of Kajang, Hulu Langat, Selangor **House:** No 5, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	27	*0	4 September 1987

* *Below RM500*

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2013 (RM'000)	Date of Revaluation/ Acquisition
Lot PR 10911, H.S. (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	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	27	*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 Lapan, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, purified water system and waste water treatment	Building 11,256 Land 40,469	Leasehold of 99 years, expiring on 1 January 2083	36	14,139	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 and warehouse penicillin & non penicillin production plant buildings, laboratory buildings, a chiller plant building, boiler house & TNB sub-station and a guard house	Building 1,029 Land 60,754	Leasehold of 99 years, expiring on 13 March 2100	17	29,219	1 June 2009

* *Below RM500*

_Group Property List

_As At 31 December 2013

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2013 (RM'000)	Date of Revaluation/ Acquisition
Blok D. 20 & 21, Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	Building 453 Land 136	Freehold 15 years to 24 September 2013 (in progress to extend)	11	80	13 October 2003
Jalan Depsos, 67 – 70 Bintaro, Jaksel, Jakarta, Indonesia	Office and warehouse	Building 965 Land 1,860	Freehold 30 years to 7 July 2028	14	793	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan, 152 Surabaya, Indonesia	Office and warehouse	Building 820 Land 1,133	Leasehold 5 years to 24 July 2016	32	63	4 November 1971 Revaluation 2001

_Analysis Of Shareholdings

_As At 30 January 2014

SHARE CAPITAL

Authorised Share Capital	: RM300,000,000.00 divided into 600,000,000 Ordinary Shares of RM0.50 each
Issued and Paid-up Share Capital	: RM129,441,366.00 divided into 258,882,732 Ordinary Shares of RM0.50 each
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: One vote per Ordinary Share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	498	8.335	13,843	0.005
100 to 1,000	2,235	37.406	1,062,605	0.41
1,001 to 10,000	2,593	43.398	9,137,492	3.530
10,001 to 100,000	554	9.272	14,147,856	5.465
100,001 to less than 5% of Issued Shares	93	1.556	56,400,037	21.786
5% and above of Issued Shares	2	0.033	178,120,899	68.804
TOTAL	**5,975**	**100.00**	**258,882,732**	**100.000**

30 LARGEST SHAREHOLDERS (as per the Register of Depositors)

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Boustead Holdings Berhad *(Account Non-Trading)*	146,110,415	56.438
2.	Lembaga Tabung Angkatan Tentera	32,010,484	12.364
3.	Che Lodin Bin Wok Kamaruddin	9,382,837	3.624
4.	Valuecap Sdn Bhd	6,302,000	2.434
5.	Scotia Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Che Lodin Bin Wok Kamaruddin)*	3,082,428	1.190
6.	Dasar Technologies Sdn Bhd	2,200,000	0.849
7.	Maybank Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Au Kwan Seng)*	1,848,000	0.713
8.	Maybank Nominees (Tempatan) Sdn Bhd *(Maybank Trustees Berhad for Public Regular Savings Fund) (N14011940100)*	1,540,486	0.595
9.	Amanahraya Trustees Berhad *(Affin Quantum Fund)*	1,493,280	0.576

_Analysis Of Shareholdings

_As At 30 January 2014

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
10.	Kumpulan Wang Persaraan (Diperbadankan)	1,330,700	0.514
11.	Koperasi Permodalan Felda Malaysia Berhad	1,173,400	0.453
12.	Tan Ewe Seong	1,150,000	0.444
13.	Amanahraya Trustees Berhad *(Affin Islamic Equity Fund)*	1,027,880	0.397
14.	Citigroup Nominees (Tempatan) Sdn Bhd *(Kumpulan Wang Persaraan (Diperbadankan)) (CIMB Equities)*	1,022,400	0.394
15.	Tan Beng Guan	1,000,000	0.386
16.	Public Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Au Kwan Seng) (E-KLC)*	957,000	0.369
17.	CIMSEC Nominees (Asing) Sdn Bhd *(Exempt an for CIMB Securities (Singapore) Pte Ltd) (Retail Clients)*	943,208	0.364
18.	Chinchoo Investment Sdn. Berhad	913,149	0.352
19.	Yong Siew Yoon	811,364	0.313
20.	Farshila Binti Emran	804,000	0.310
21.	Amanahraya Trustees Berhad *(Affin Select Growth Fund)*	728,500	0.281
22.	Gan Teng Siew Realty Sdn. Berhad	657,564	0.254
23.	Amanahraya Trustees Berhad *(Public Strategic Smallcap Fund)*	618,100	0.238
24.	Maybank Nominees (Tempatan) Sdn Bhd *(Maybank Trustees Berhad for Affin Equity Fund) (930090)*	598,980	0.231
25.	Affin Nominees (Tempatan) Sdn Bhd *(Yayasan Warisan Perajurit)*	596,200	0.230
26.	Gan Yen Cheng	550,000	0.212
27.	Key Development Sdn. Berhad	531,759	0.205
28.	HSBC Nominees (Asing) Sdn Bhd *(BNY LUX for Asia Pacific Equity Income Fund) (Blackrock GBL F)*	513,360	0.198
29.	CIMSEC Nominees (Tempatan) Sdn Bhd *(CIMB for Ahmad Rodzi Bin Pawanteh) (PB)*	436,000	0.168
30.	Gemas Bahru Estates Sdn. Bhd.	432,588	0.167
		220,766,082	**85.263**

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Shares Held Direct	%	Indirect	%
Boustead Holdings Berhad *(Account Non-Trading)*	146,110,415	56.438	-	-
Lembaga Tabung Angkatan Tentera	32,010,484	12.364	-	-

DIRECTORS' SHAREHOLDINGS (as per the Register of Directors' Shareholdings)

No.	Name of Directors	No. of Shares Held in Pharmaniaga Berhad Direct	%	Indirect	%
1	Che Lodin Bin Wok Kamaruddin	9,382,837	3.624	–	–
2	Scotia Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Che Lodin Bin Wok Kamaruddin)*	3,082,428	1.190	–	–
3	CIMSEC Nominees (Tempatan) Sdn Bhd *(Exempt an for CIMB Bank for Che Lodin Bin Wok Kamaruddin) (MM0197)*	34,883	0.013	–	–
4	Farshila Binti Emran	804,000	0.310	–	–
5	Ebinesan Daniel @ Daniel A/L Gnanakkan	400,000	0.154	–	–
6	Izzat Bin Othman	99,000	0.038	–	–

_Group Corporate Directory

List of Companies	Address
Pharmaniaga Berhad **Pharmaniaga Logistics Sdn. Bhd.** **Pharmaniaga Marketing Sdn. Bhd.** **Pharmaniaga Research Centre Sdn. Bhd.** **Pharmaniaga Pristine Sdn. Bhd.** **Pharmaniaga Biomedical Sdn. Bhd.** **Pharmaniaga International Corporation Sdn. Bhd.** **Pharmaniaga Bivention Sdn. Bhd.** **Insurgress Sdn. Bhd.**	No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan Tel : +603-3342 9999 Fax: +603-3341 7777 **Mailing Address** P.O. Box 2030, Pusat Bisnes Bukit Raja, 40800 Shah Alam, Selangor Darul Ehsan
Pharmaniaga Manufacturing Berhad	11A Jalan P/1, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan Tel : +603-8925 7880 Fax: +603-8925 6177
Idaman Pharma Manufacturing Sdn. Bhd. (Sungai Petani)	Lot No. 24, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman Tel : +604-4213 011 Fax: +604-4215 731
Idaman Pharma Manufacturing Sdn. Bhd. (Sri Iskandar)	Lot 120, Taman Farmaseutikal, Bandar Sri Iskandar, 32610 Sri 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

List of Companies	Address
Pharmaniaga Logistics Sdn. Bhd. (Juru Branch)	1, 3 & 5, Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Simpang Ampat, Seberang Prai, Pulau Pinang Tel : +604-508 3330/1/2 Fax: +604-508 3111
Pharmaniaga Logistics Sdn. Bhd. (Kuching Branch)	Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak Tel : +6082-432 800 Fax: +6082-432 806
Pharmaniaga Logistics Sdn. Bhd. (Kota Kinabalu Branch)	Lorong Kurma, Kolombong Industrial Centre, KM 9 Off Jalan Tuaran, 88450 Kolombong, Kota Kinabalu, Sabah Tel : +6088-439 188 Fax: +6088-437 288
PT Millennium Pharmacon International Tbk (HQ)	Panin Bank Centre, 9th Floor, Jl-Jendral, Sudirman Senayan, Jakarta, 10270 Indonesia Tel : +62-21 727 88906/7 Fax: +62-21 722 8090
PT Mega Pharmaniaga	Komplek Perkantoran Graha Elok Mas, Blok HH No. 83 Jl. Panjang, Kebon Jeruk, Jakarta, 11510 Indonesia Tel : +62-21 295 08987 Fax: +62-21 295 08988

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Pharmaniaga Berhad (467709-M) (the Company) will be held at The Royale Chulan Damansara Hotel *(formerly known as "The Royale Bintang Damansara Hotel")*, The Royale Ballroom, 2nd Floor, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 2 April 2014 at 10.00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1 To receive and consider the audited financial statements for the year ended 31 December 2013, and the Report of the Directors. **Resolution 1**

2 To re-elect Mohd Suffian Haji Haron who retires by rotation pursuant to Article 88 of the Company's Articles of Association and, being eligible, offers himself for re-election. **Resolution 2**

3 To re-elect Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) who retires by rotation pursuant to Article 88 of Company's Articles of Association and, being eligible, offers himself for re-election. **Resolution 3**

4 To approve Directors' fees. **Resolution 4**

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

SPECIAL BUSINESS

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

6 **Ordinary Resolution** **Resolution 6**

Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

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

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

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its Subsidiaries (Pharmaniaga Group) to enter into all transactions involving the Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 11 March 2014 provided that such transactions are:

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

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

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

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

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

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

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

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

whichever is the earlier.

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

8 To transact any other ordinary business of the Company.

By Order of the Board

SURIATI ASHARI (LS 0009029)
Secretary

Kuala Lumpur
11 March 2014

_Notice of Annual General Meeting

Notes

(a) A member of Pharmaniaga entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of Pharmaniaga and a member may appoint any person to be his proxy. The instrument appointing a proxy must be lodged at the Company's Share Registrar not less than forty-eight hours before the time of the Meeting or any adjournment thereof.

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

As at the date of this Notice, 23,534,794 new shares in the Company were issued pursuant to the authority granted to the Directors at the Fifteenth Annual General Meeting held on 3 April 2013 and which will lapse at the conclusion of the Sixteenth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

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

_Statement Accompanying Notice of Annual General Meeting

Statement Accompanying Notice of the Sixteenth Annual General Meeting pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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

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

a) Mohd Suffian Haji Haron
b) Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

Details of attendance of Board Meetings of Directors seeking re-election are set out on page 57 of the Annual Report.

Profile of Directors standing for re-election are set out on pages 14 and 15 of the Annual Report, while details of their interest in securities are set out on page 80 of the Annual Report.

2. Date, time and place of the Annual General Meeting

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

Date	:	Wednesday, 2 April 2014
Time	:	10.00 a.m.
Place	:	The Royale Chulan Damansara Hotel *(formerly known as "The Royale Bintang Damansara Hotel")* The Royale Ballroom, 2nd Floor No. 2, Jalan PJU 7/3, Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan

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PHARMANIAGA BERHAD (467709-M)
(Incorporated in Malaysia)

_Form of Proxy

I/We ______________________________ NRIC (New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

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

______________________________ NRIC (New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

and/or ______________________________ NRIC (New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at The Royale Chulan Damansara Hotel *(formerly known as "The Royale Bintang Damansara Hotel"),* The Royale Ballroom, 2nd Floor, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 2 April 2014 at 10.00 a.m. and at any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1	To receive and consider the audited financial statements for the year ended 31 December 2013, and the Report of the Directors.		
2	To re-elect Mohd Suffian Haji Haron who retires by rotation pursuant to Article 88 of the Company's Articles of Association and, being eligible, offers himself for re-election.		
3	To re-elect Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) who retires by rotation pursuant to Article 88 of Company's Articles of Association and, being eligible, offers himself for re-election.		
4	To approve Directors' fees.		
5	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6	Ordinary Resolution Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965		
7	Ordinary Resolution Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

Dated this ________ day of ________ 2014

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

____
Signature of Member/Common Seal

NOTES

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him/her. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name, address and NRIC No. of the person of your choice and at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.
3. Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respects of each omnibus account it holds.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. The Annual Report and Proxy Form are available for access and download at the Company's website at www.pharmaniaga.com
5. Only members registered in the Record of Depositors as at 26 March 2014 shall be eligible to attend the Meeting or appoint a proxy to attend and vote on his/her behalf.

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Affix
Stamp
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Share Registrar

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

Fold here

Pharmaniaga Berhad 467709-M
No 7, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
40000 Shah Alam
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Malaysia

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