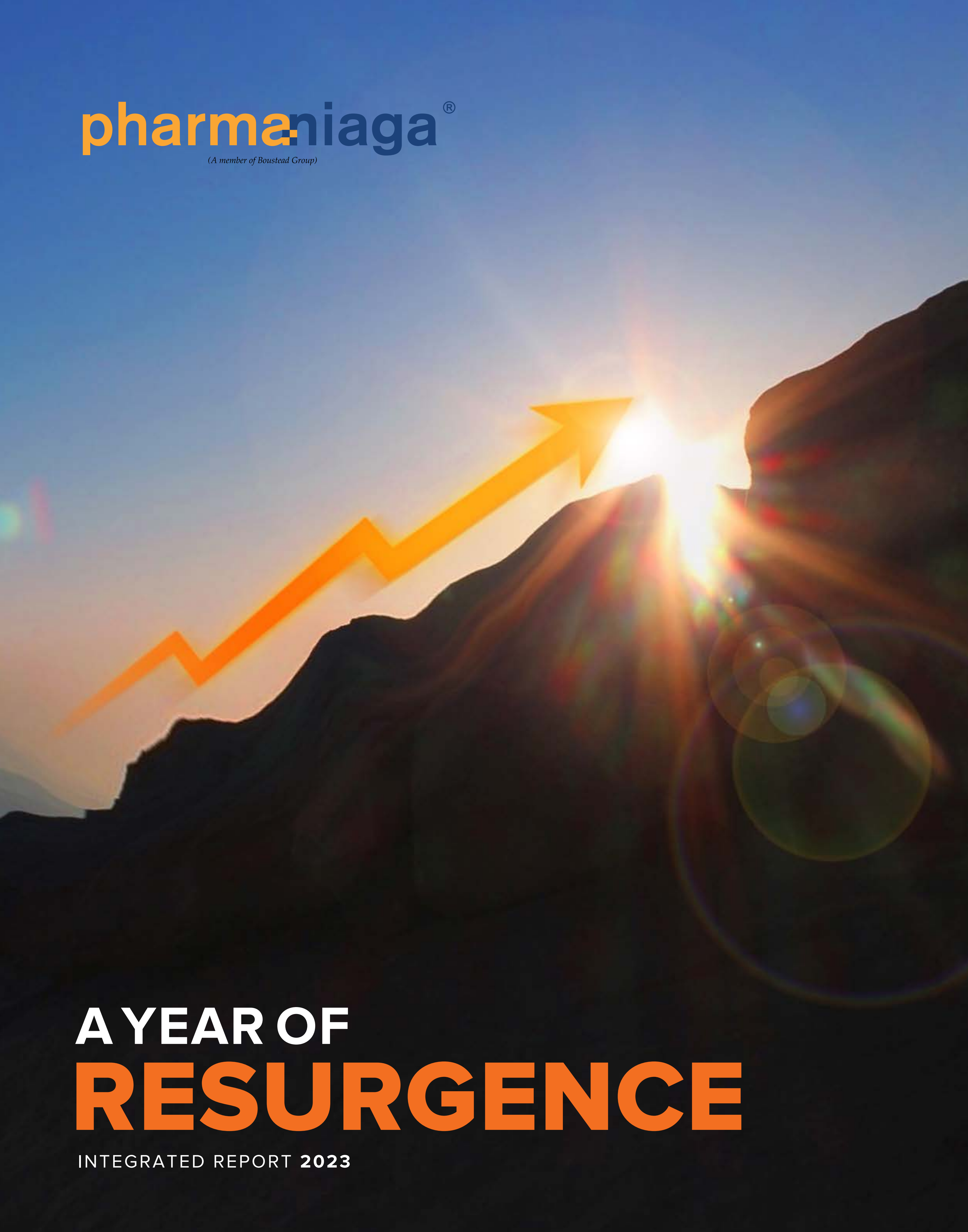
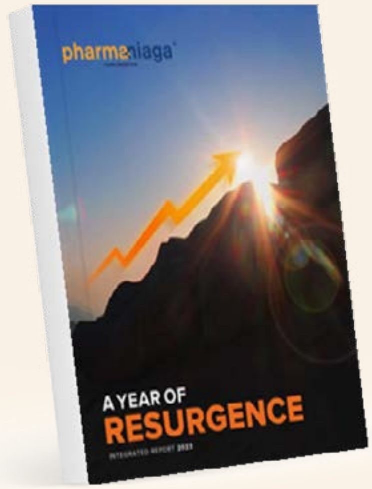
(A member of Boustead Group)



A YEAR OF RESURGENCE

INTEGRATED REPORT **2023**



A YEAR OF RESURGENCE

Reflecting Pharmaniaga's unwavering dedication to surmounting uphill challenges while striving to scale the peaks of success, our cover rationale expresses the Group's upwards momentum that reflects the drive to find light amidst darkness, as the sun rises into view through rough terrain. The climbing marker represents our resolute upward trajectory, encompassing the diverse initiatives put in place to bring Pharmaniaga out of Practice Note 17 (PN17) classification, as well as the resilience of our people in striving to ever-greater heights. As we explore new frontiers, we will continue strengthening our financial footing and business fundamentals, and building an enduring foundation for the future.

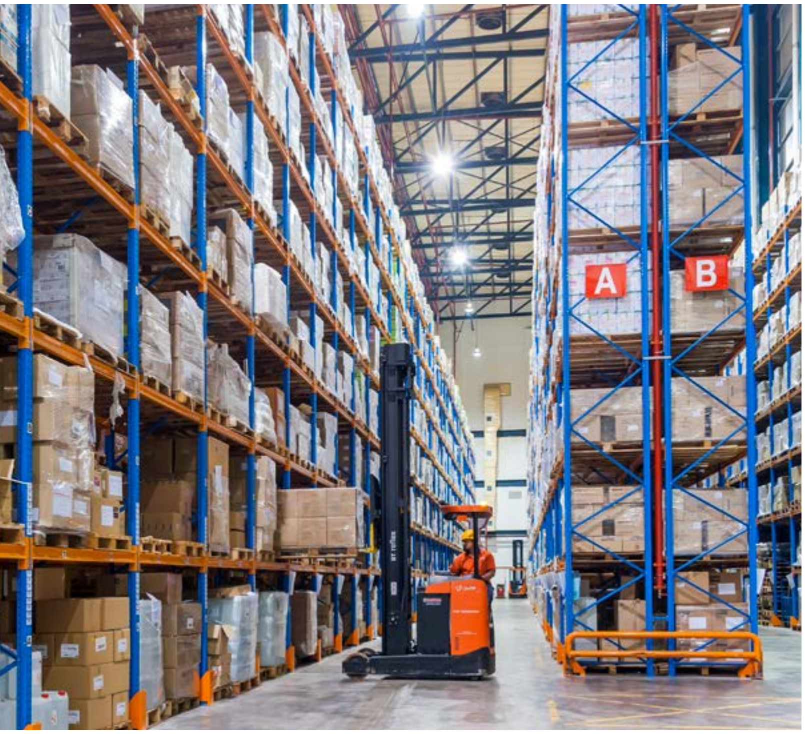
26TH ANNUAL GENERAL MEETING

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

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

Date **Wednesday, 5 June 2024** Time **9.30 a.m.**

INSIDE THIS REPORT



04 MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC REVIEW

BUSINESS REVIEW

SUSTAINABILITY STATEMENT

05 LEADERSHIP

06 GOVERNANCE

07 FINANCIAL STATEMENTS

08 ADDITIONAL INFORMATION

WE VALUE FEEDBACK

Pharmaniaga Berhad's values feedback, comments and enquiries on this Report. Please contact our Investor Relations team at: investor.relations@pharmaniaga.com

www

Online report is available at
www.pharmaniaga.com

ABOUT THIS REPORT

Welcome to Pharmaniaga Berhad's 2023 Integrated Report (IR). This integrated reporting format helps our shareholders, stakeholders and the investing public better understand what we do, why we do it, how we do it, as well as the risks and opportunities we encounter in attaining our corporate objectives. Ultimately, our goal is to define and better communicate how we intend to create value for our stakeholders. Towards this aim, we have made the Report more user friendly by utilising icons and links throughout for convenience of navigation.

SCOPE AND BOUNDARY OF REPORTING

This year's IR is based on activities, initiatives and important events that occurred during the reporting period of 1 January 2023 to 31 December 2023. The Report, which is guided by the Malaysian Financial Reporting Standards (MFRS), covers all Pharmaniaga Group of Companies in which we have a majority stake and significant influence.

MATERIALITY

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

COMBINED ASSURANCE

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

FORWARD-LOOKING STATEMENTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Board recognises the critical responsibility they are charged with in safeguarding the integrity of Pharmaniaga's 2023 IR. This IR, in our opinion, accurately assesses the Group's performance and addresses all significant matters affecting the Group's ability to generate value for the fiscal year under review.

REPORTING FRAMEWORK

The preparation of our 2023 Integrated Report has been undertaken in strict accordance with the principles and requirements of:

1. Main Market Listing Requirements (MMLR) of Bursa Malaysia
2. Malaysian Financial Reporting Framework
3. Malaysian Code on Corporate Governance (MCCG) 2021 issued by the Securities Commission
4. Malaysia Companies Act 2016 (CA 2016)
5. Bursa Malaysia Sustainability Guide (3rd Edition)
6. International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
7. Global Reporting Initiative (GRI) Standards 2021
8. United Nations Sustainable Development Goals (UNSDGs)
9. World Business Council for Sustainable Development
10. World Resources Institute's GHG Protocol
11. Intergovernmental Panel on Climate Change's Fifth Assessment Report
12. FTSE4Good ESG Indicators
13. Task Force on Climate-related Financial Disclosures (TCFD)
14. Sustainability Accounting Standards Board (SASB)
15. Bursa Illustrative Sustainability Reporting Guide (ISR)

NAVIGATION ICONS

6 CAPITALS

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

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

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

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

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

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

STAKEHOLDER GROUPS

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

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

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

Supply Chain Partners
Contractors and suppliers providing services and supplies

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

Media
Local media covering digital and print platforms

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

MATERIAL MATTERS

Economic

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Governance

- M5 Corporate Governance & Business Ethics

Environmental

- M6 Environmental Compliance
- M7 Resource Efficiency
- M8 Greenhouse Gas & Climate Change

Social

- M9 Talent Management
- M10 Health & Safety
- M11 Supporting Local Businesses
- M12 Corporate Responsibility

STRATEGIC PILLARS

- Strengthening Public Sector Business
- Growing The Private Market
- Reinventing Indonesia Business
- Building Biopharmaceutical Capability
- Optimising Cost Aggressively

CROSS REFERENCE

Link to website **www.pharmaniaga.com**

Find more information inside this report

KEY RISKS

Cybersecurity Risk
Potential harm or loss resulting from vulnerabilities or threats to the Company's digital assets, systems, networks or data

Environmental Sustainability Risk
The potential negative impacts on the environment stemming from the Company's operations, products, or supply chain activities

Financial Risk
Loss or adverse consequences arising from internal and/or external sources that affect a Company's financial stability

Legal and Regulatory Risk
The exposure to potential legal liabilities, fines, or sanctions arising from non-compliance with applicable laws, rules and regulations

Business Risk
Potential loss arising from volatility, uncertainty, complexity and ambiguity business environment

Corruption Risk
The potential exposure of an individual, organisation, or entity to engage in or be affected by acts of bribery

Sustainable Development Goals (SDGs)

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

WHO WE ARE

Established in 1994, Pharmaniaga has evolved into Malaysia's largest listed integrated healthcare service provider group. Spanning across the entire pharmaceutical value chain, from research and development to the meticulous production of generic drugs. Pharmaniaga stands as a beacon of trust and reliability in the Malaysian pharmaceutical landscape. Our expertise extends beyond manufacturing – encompassing logistics and distribution, as well as dynamic sales and marketing strategies that ensure our products reach those in need nationwide.

With an unwavering commitment to quality, accessibility, and innovation, we stand tall as pioneers in providing high-quality pharmaceutical products and services to both the public and private sectors.

VISION

The preferred pharmaceutical brand in regional markets

MISSION

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

VALUES

- Creativity
- Integrity
- Innovation

DO IT RIGHT ALWAYS (DIRA)

The "DIRA" initiative embodies our commitment to integrating ESG (Environmental, Social, and Governance) values into our work culture.

GROUP STRUCTURE

AS AT 31 MARCH 2024

pharmaniaga®

(A member of Boustead Group)

MANUFACTURING

- 100% Pharmaniaga Manufacturing Berhad
- 100% Idaman Pharma Manufacturing Sdn Bhd
- 100% Pharmaniaga LifeScience Sdn Bhd
- 100% Pharmaniaga Research Centre Sdn Bhd
- 100% Bio-Collagen Technologies Sdn Bhd *

LOGISTICS & DISTRIBUTION

- 100% Pharmaniaga Logistics Sdn Bhd
- 100% Pharmaniaga Marketing Sdn Bhd
- 100% Pristine Pharma Sdn Bhd **
  - 100% Paradigm Industry Sdn Bhd ** *Subsidiary of Pristine Pharma Sdn Bhd*
- 100% Pharmaniaga Biomedical Sdn Bhd **
- 100% Pharmaniaga Pegasus (Seychelles) Co Ltd *

100% Pharmaniaga International Corporation Sdn Bhd

INDONESIA

- 73% PT Millennium Pharmacon International Tbk
  - 99% PT Digital Pharma Andalan Indonesia *Subsidiary of PT MPI*
  - 15% PT Errita Pharma
- 85% PT Errita Pharma
- 95% PT Mega Pharmaniaga ***

* Dormant
** Ceased operation
*** In liquidation

Please refer the page 240 for the principal activities of the companies

WHAT WE DO

LOGISTICS & DISTRIBUTION

From bustling urban centres to remote rural areas, Pharmaniaga's logistics and distribution network is meticulously designed to cover every corner of Malaysia. More than 700 products on the Ministry of Health's (MOH) Approved Product Purchase List (APPL) are supplied by Pharmaniaga to government hospitals, clinics, and institutions. Servicing both public and private facilities, we operate a fleet of more than 200 vehicles out of eight distribution centres in Selangor, Penang, Sabah, and Sarawak.

Our capabilities are beyond delivering medical supplies; they are about delivering hope and healing to communities in need. Whether it is optimising delivery routes, implementing state-of-the-art tracking systems, or embracing sustainable packaging solutions, we are committed to pushing the limits in logistics and distribution. We strive to become the trusted partner in the healthcare ecosystem, ensuring a seamless flow of medical supplies throughout the nation.

MANUFACTURING

At the heart of our manufacturing prowess, lies an unwavering dedication to quality and safety. Pharmaniaga's role in manufacturing extends beyond the mere production of medications; it is about spearheading a brighter future for healthcare. With four state-of-the-art plants strategically positioned across Malaysia, we stand at the forefront of pharmaceutical manufacturing. Our facilities are meticulously equipped with cutting-edge technology and machinery, adhering to stringent international engineering and quality standards such as local Good Manufacturing Practices (GMP) as well as European GMP. This ensures our capability to deliver a diverse array of products, ranging from oral solids and liquids, to semisolids and small volume injectables, catering to the ever-evolving healthcare needs.

We are catalysts for change, driving innovation and efficiency through our agile manufacturing processes. From optimising production workflows to embracing advanced technologies, we continuously strive to push the boundaries, delivering life-saving medications to those in need with unparalleled speed and precision.

RESEARCH & DEVELOPMENT (R&D)

At Pharmaniaga, R&D is a driving force propelling us towards advancements in healthcare. With a dynamic team of over 90 skilled scientists from diverse fields, we continuously strive to develop high-quality products, enhance efficiency, improve existing products, and implement cost-saving measures.

Our team's focus spans vital therapeutic areas, including cardiovascular, diabetes, anti-infectives, pain management and respiratory, analgesics, vaccines, and insulin. By leveraging on cutting-edge technologies and fostering strategic partnerships, we push the boundaries in medicine. We are committed to making a meaningful impact by contributing to the well-being of our nation as a whole.

SALES & MARKETING

At Pharmaniaga, our sales and marketing team takes pride in promoting a diverse range of healthcare products, including pharmaceuticals, medical devices and dental products. We leverage on data analytics and embrace digital platforms to enhance reach and engagement, which will further optimise our sales strategies. We are committed to staying ahead of the curve in an ever-evolving market.

Our sales and marketing is not just about driving profits; it is about driving positive change in the healthcare industry. Thus, we continuously explore strategic partnerships and expand our product offerings. Through personalised approaches and tailored solutions, we aim to meet the diverse needs of healthcare providers and patients, fostering trust and loyalty in our brand.

INDONESIA OPERATIONS

With a rich legacy of excellence and a commitment to enhancing healthcare accessibility, Pharmaniaga brings its renowned expertise and unwavering dedication to serving the Indonesia market. Through PT Millennium Pharmacon International Tbk (MPI) and PT Errita Pharma (Errita), we aim to forge strong footing that drives growth and success.

Positioned among the top ten pharmaceutical logistics and distribution companies in Indonesia, MPI boasts a network of 35 branches throughout the country, serving over 30 principals. Meanwhile, Errita with facilities dedicated to general pharmaceuticals and penicillin, has established itself as one of the players in the Indonesia pharmaceutical landscape.

Our expansion into Indonesia represents not only a significant milestone for our company, but also a testament to our enduring commitment to improving healthcare outcomes and enriching lives across Southeast Asia.

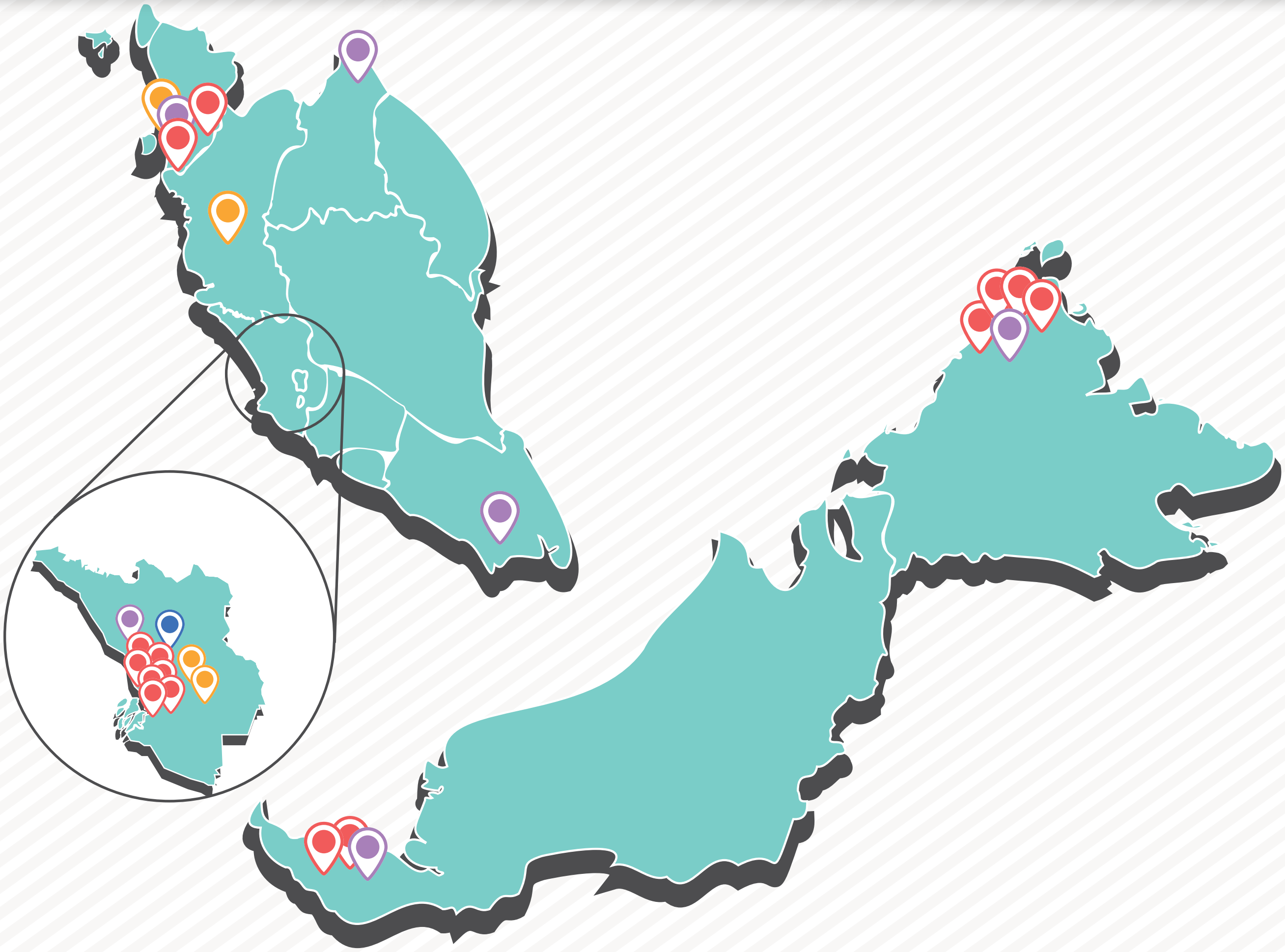
OUR COMPETITIVE STRENGTHS

With a rich history of innovation and a steadfast commitment to enhancing healthcare accessibility, Pharmaniaga continues to set the benchmark for excellence in Malaysia's pharmaceutical landscape.

With a legacy spanning three decades, Pharmaniaga has emerged as Malaysia's largest integrated healthcare service provider, boasting unparalleled expertise in navigating an ever-evolving ecosystem.

Operating across Malaysia and Indonesia, Pharmaniaga's pharmaceutical-grade supply chain is fortified by a robust logistics infrastructure, ensuring seamless distribution of vital healthcare products.

Our world-class manufacturing facilities, meticulously designed to meet Pharmaceutical Inspection Co-operation Scheme and European Union Good Manufacturing Practice standards are not only Halal-compliant, but also uphold the highest levels of quality and safety.



MALAYSIA	EMPLOYEES	R&D SITE	MARKETING OFFICE	LOGISTICS & DISTRIBUTION SITE OFFICE	MANUFACTURING PLANT
	1,983	1	6	Distribution Centres 8 Branches 7	4

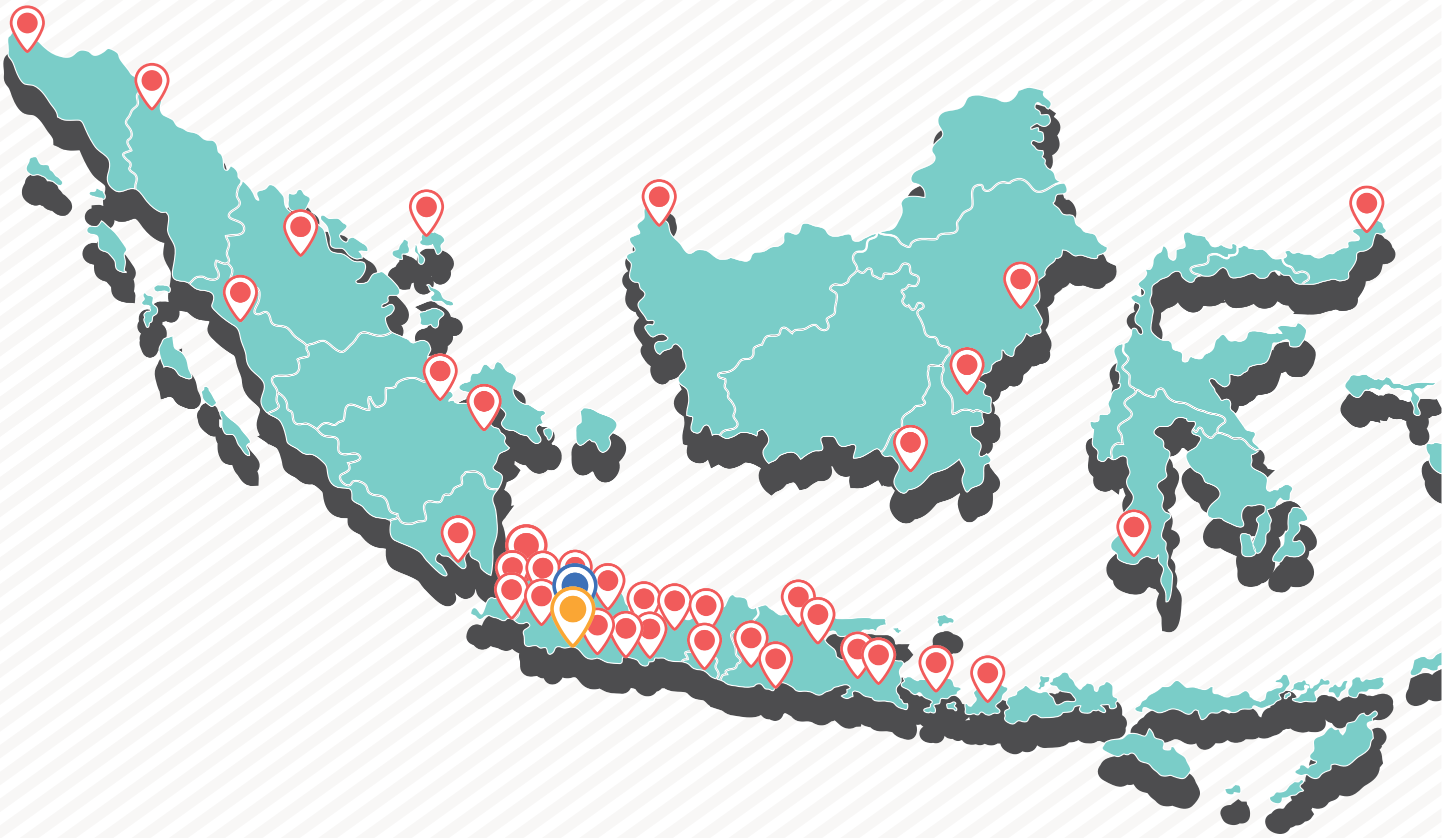
As at 31 March 2024

Backed by over 200 scientific and technical experts across various disciplines, our workforce is equipped with formidable technical capabilities, driving innovation and excellence in everything we do.

Our strategic operations in Malaysia and Indonesia have successfully ensured that our products and services are readily accessible throughout the region.

Through strategic alliances geared towards the production of high-value generics and our expansion into biopharmaceuticals, particularly the production of vaccines and insulin, Pharmaniaga is at the forefront of pioneering advancements in healthcare solutions.

By capitalising on synergies and exploring new opportunities, we are expanding our market presence and fostering sustainable growth.



INDONESIA	EMPLOYEES	R&D SITE	LOGISTICS & DISTRIBUTION SITE OFFICE	MANUFACTURING PLANT
	1,493	1	Distribution Centres 1 Branches 35	1

2023 KEY HIGHLIGHTS

BUSINESS HIGHLIGHTS

Concession business extended for the next **7 years** effective 1 July 2023

Successfully achieved market penetration among over 500 paediatric specialists with our inaugural private market vaccine

Attained **98.75%** compliance with **MOH performance standards**

Collaborated with UTM KL to develop supply chain management system with **Artificial Intelligence (AI)**

Expanded central distribution centre for the private market with capacity up to **4,395 pallets**

Launched 11 New Products in Malaysia
7 In-House Developed Products Approved
Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril, Omeprazole inj

Established market-leading brands across all **5 therapeutic categories**
Cardiovascular, Diabetes, Anti-infectives, Pain Management and Respiratory

Introduced **7 New Halal-certified pharmaceutical products**, bringing the total to **191**

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

As at December 2023, **8.71 Megalitres** of water were **recycled** and **0.22 Megalitres** of **rainwater** was **harvested**

229.44 tonnes of **recycled** input **material were utilised** in the manufacturing process.

Recorded **10.56 tCO_2e/RM Million GHG Emission Intensity** compared to 13.30 tCO_2e/RM Million 2019 baseline

749.502 GJ generated from solar energy

29.15% increase in **general waste recycling** against 2022 data performance

Implementation of cost containment measures throughout the Group amounting to **RM7.9 million** of cost savings

Enhanced Operational Equipment Effectiveness
+20% following improvements in manufacturing line efficiency

MPI completed setting up
2 New Distribution Branches
at Purwakarta and Mataram

ERRITA successfully launched
3 Products
VITGO VIT C Orange Kaplet, VITGO VIT C Blackcurrant Kaplet, Mucobroxine Tablet

FINANCIAL HIGHLIGHTS

REVENUE
RM3.4 billion
FY2022 : RM3.5 billion

EARNINGS / (LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION
RM23.9 million
FY2022 : (RM535.0 million)

LOSS AFTER TAXATION
RM78.7 million
FY2022 : RM627.7 million

SOCIAL

All suppliers are **being assessed** for social and environmental criteria

ZERO workplace fatalities

99.7% Local Employees

GOVERNANCE

Maintained the **ISO/IEC 27001: 2013 Information Security Management System**

Pharmaniaga Lifescience Sdn Bhd has **successfully obtained** the certification of **MS ISO 37001:2006 Anti-Bribery Management System (ABMS)**

STANDARDS & CERTIFICATIONS

MS ISO 37001: 2016
Anti-Bribery Management Systems

ISO 45001: 2018
Occupational Health and Safety Management Systems

ISO/IEC 27001: 2013
Information Security Management Systems

ISO 9001: 2015
Quality Management Systems

ISO 14001: 2015
Environmental Management Systems

ISO/IEC 17025: 2017
Laboratory Quality Management Systems

ISO 18295-1: 2017
Customer Contact Centres

GOOD MANUFACTURING PRACTICE
Certification from NPRA, Malaysia

GOOD DISTRIBUTION PRACTICE
Certification from NPRA, Malaysia

GOOD DISTRIBUTION PRACTICE FOR MEDICAL DEVICES
Certification from MDA, Malaysia

HALAL PHARMACEUTICAL PRODUCT CERTIFICATION
Certification from JAKIM, Malaysia

EU GOOD MANUFACTURING PRACTICE
Certification from INFARMED, Portugal

CARA PEMBUAT OBAT YANG BAIK
Certification from BPOM, Indonesia

CARA DISTRIBUSI OBAT YANG BAIK
Certification from BPOM, Indonesia

PERIZINAN DISTRIBUSI ALAT KESEHATAN
Certification from Kementerian Kesehatan, Indonesia

PERIZINAN PERDAGANG BESAR FARMASI
Certification from Kementerian Kesehatan, Indonesia

SERTIFIKASI HALAL
Certification from Badan Penyelenggara Jaminan Produk Halal, Indonesia

2023 CORPORATE MILESTONES

JAN

6 JANUARY

Pharmaniaga Logistics Sdn Bhd (PLSB) opened its new distribution centre in Kawasan Perindustrian Prai, Fasa 4, Penang to cater for the increasing demand from the northern region.

FEB

8 FEBRUARY

Pharmaniaga LifeScience Sdn Bhd (PLS) successfully installed Malaysia's first fully automated pre-filled syringe filling line at its plant in Puchong, Selangor.

MAY

18 MAY

Pharmaniaga introduced SKYVaricella, a new chickenpox vaccine at the Vaccine Symposium 2023, Kuala Lumpur.

JUL

1 JULY

Pharmaniaga secured a new concession agreement to undertake the procurement, storage, supply and delivery of medical products to the Ministry of Health (MOH)-operated facilities for seven years until 30 June 2030.

13 JULY

Pharmaniaga undertook a private placement exercise, raising RM45.9 million to bridge the Group's working capital requirements.

26 JULY

Memorandum of Understanding (MoU) signed by Pharmaniaga LifeScience Sdn Bhd (PLS) and CSPC Holdings Company Limited to enhance the production of CSPC's biopharmaceutical portfolio, focusing on its advanced mRNA vaccines, leading towards the commercialisation of these products in Malaysia and other relevant territories.

27 JULY

Ravidasvir, a groundbreaking treatment for chronic Hepatitis C Virus infection registered by Pharmaniaga, received an approval for inclusion on the World Health Organisation's essential medicine list.

NOV

1 NOVEMBER

PT Millennium Pharmacon International Tbk (MPI) signed a Distribution Agreement with PT Marketama Indah (PT Marketama) for future market expansion of their products.

2 NOVEMBER

PLS successfully installed state-of-the-art cartridge filling line for insulin manufacturing at its plant in Puchong, Selangor.

29 NOVEMBER

Pharmaniaga released its Requisite Announcement that highlights the plan to raise sufficient funding to bolster its financial position.

DEC

20 DECEMBER

MPI signed a Distribution Agreement with PT Herbatama Indo Perkasa (PT Herbatama) and PT Bromo Pharmaceutical Industries (PT Bromo) for future product market expansion.

22 DECEMBER

MPI has made a land and building asset acquisition valued at Rp44 billion (approximately RM13 million). The acquired property will serve as a new warehouse center in Bekasi, West Java.

FOCUSING ON OUR CORE STRENGTHS

The PN17 classification sparked a process of rejuvenation that has ultimately positioned the Group on a much stronger footing to achieve sustained growth.

Dear Shareholder,

The world economy managed to avoid a hard landing in 2023 with global growth forecasted to slow to 3% in 2023 from 3.5% in 2022, according to the International Monetary Fund (IMF). A key positive was the move towards monetary easing as many central banks stopped hiking interest rates as inflation rates started declining. Despite this, growth continues to tilt to the downside as global economic recovery remained slow.

In the case of Malaysia, its economy expanded by 3.7% in 2023 amid subdued external demand. The economy started relatively bright but ended the year with growth easing as the country grappled with a tough global economic environment. Nevertheless, Malaysia's diversified economy has been able to weather the headwinds during the year.

With the country moving back to normality in 2023 after the COVID-19 pandemic, business sentiment and activities across many sectors were firmly on the road to recovery.

Malaysia's economic growth proved to be resilient as supply chain disruptions, elevated cost pressures, and inflation eased significantly compared to 2022 even as central banks, including Bank Negara Malaysia, put a pause on their interest rate hiking cycle.

The economy also received a timely boost with the formation of the Unity Government at the end of 2022 following the 15th General Election. The broad-based Government was instrumental in stabilising the economy, and rolled out major business-friendly initiatives which provided a clear direction for economic growth and development.

IZADDEEN DAUD
Chairman

During the year, we undertook a bold move to reset the Group by rejuvenating our businesses, operations, systems and governance.

The Group released its Requisite Announcement (RA) on 29 November 2023, with key components inclusive of a capital reduction, a rights issue with warrants, and a private placement.

We will continue to overcome any challenges and capitalise on market opportunities.

A YEAR OF REJUVENATION

For Pharmaniaga, 2023 has been a very challenging year. The Group fell under the Practice Note 17 (PN17) classification in February 2023 after taking a RM552.3 million provision for slow-moving inventories of COVID-19 vaccines in FY2022. Despite this unprecedented challenge, we did not let this weigh us down.

The silver lining in all this is that 2023 has been a year of reflection, recovery, and resurgence for Pharmaniaga. This trial sparked a process of rejuvenation that has ultimately positioned the Group on a much stronger footing to achieve sustained growth.

As we found ourselves in uncharted territory, Pharmaniaga nevertheless proved its mettle as we put our minds together to overcome the hurdles and unique challenges that come with being in the current situation. The leadership team came up with the right solutions to manage and resolve problems that arose from being in this predicament.

As a result, we managed to bounce back during the year with the losses reduced significantly. This stems from the steadfast dedication and hard work of both the management and our employees as we endeavoured to pull the company away from the financial setback. In addition, the unstinting support of our shareholders and stakeholders was instrumental in enabling us to weather an extremely challenging year.

On behalf of the Board of Directors, I would like to share an overview of Pharmaniaga's performance for the year ended 31 December 2023.

REFOCUSING STRENGTHS

During the year, we undertook a bold move to reset the Group by rejuvenating our businesses, operations, systems and governance.

We decided to go back to basics by focusing on our core strengths, that are, our logistics and manufacturing businesses. Despite the challenges in managing cash flow due to our current status, these two core businesses continued operating efficiently as always. This was crucial in helping us meet all the key performance indicators (KPIs) and requirements set by our clients especially the Ministry of Health (MOH).

We also redirected our focus towards enhancing operational efficiency to attain long-term sustainable growth and profitability for the Group. Our strategy to achieve this involved growing our revenue through strategic expansion, particularly by enlarging our foothold in the vibrant Indonesian market, striving for higher profit margins by focusing on high value products and services, as well as cost optimisation via implementing cost-saving measures and improving efficiencies.

This approach to enhancing operational efficiency laid the groundwork for our strategic roadmap, aimed at revitalising the Group and exiting PN17 status.

OUR STRATEGIC ROADMAP

The roadmap, underpinned by the Group's five strategic pillars, charts the way forward, transforming us into a more resilient and diversified group.

The five strategic pillars are strengthening the public sector business, building our biopharmaceutical capability, maximising cost optimisation, growing the private market and reinventing Indonesia business.

The roadmap further reinforces our efforts as the Group released its Requisite Announcement (RA) on 29 November 2023 as part of the requirements by Bursa Malaysia to exit PN17 status. The key components of the RA include a capital reduction, a rights issue with warrants, and a private placement.

Following the release of the RA, we have expended a lot of resources to formulate a Regularisation Plan (RP) which was submitted to Bursa Malaysia on 23 February 2024, marking a critical milestone in the Group's journey towards full recovery and profitability. With the RP projected to be fully implemented in the fourth quarter of the fiscal year ending 31 December 2024, the Group expects to exit the PN17 classification by third quarter of 2025.

VOTE OF CONFIDENCE

One of the bright spots in 2023 was the Government's decision to enter into the new concession agreement (CA) with Pharmaniaga to undertake the procurement, storage, supply and delivery of medical products to Ministry of Health (MOH)-operated facilities for seven years. The CA, signed with the MOH on 3 January 2024, took effect retrospectively from 1 July 2023 and will remain in force for seven years until 30 June 2030.

There was initially some concern whether the CA would be renewed given the current situation. However, the Government's decision to extend the agreement was a huge vote of confidence in Pharmaniaga. We believe this was primarily due to our track record of continuously meeting the requirements stipulated in the CA, and achieving an impressive Overall Service Performance of 98.75%.

ESG INITIATIVES

Pharmaniaga's commitment to the environmental, social, and governance (ESG) agenda has been further strengthened as we successfully rolled out a host of initiatives that promote sustainability.

Under the Pharmaniaga Decarbonisation Programme aimed at reducing our carbon footprint, we have embraced the use of renewable energy. We started implementation of the Pharmaniaga Solar Project for two logistics and four manufacturing sites, and these are targeted to be completed in 2024.

The Board continues to emphasise the importance of corporate governance and integrity, fair labour practices, diversity and inclusion at every level of the organisation. Throughout the year, we ran programmes for staff to reinforce a culture of integrity and adherence to ethical business practices.

Please refer to our Sustainability Statement on pages 66 to 127 of this Integrated Report for more details on our ESG initiatives.

OUTLOOK

We remain optimistic on Pharmaniaga's prospects even as we execute our plan to exit the current situation. Alongside the financial rejuvenation efforts, we aim to strengthen our presence within the public sector by further improving service levels, and ensuring efficient and timely delivery of critical medicines and medical supplies nationwide.

To support the concession business, we will be constructing or acquiring four new warehouses across Malaysia in the next 24 months to ensure a higher level of compliance, and swift delivery of medication to MOH facilities across the country.

We are seeking to increase profit margins in our concession business via cost cutting initiatives, and improving efficiency and productivity.

The Group places great importance on diversifying its business and revenue streams, and this is driving our investments in the field of biopharmaceuticals. We are establishing manufacturing facilities for vaccines and insulin to capitalise on the increasing needs in these therapeutic areas, primarily targeting vaccines under the National Immunisation Programme. We are progressing well with these initiatives, with commercialisation planned in 2025 for vaccines and 2026 for insulin.

Another key focus is to further grow our market share in Malaysia's private generic pharmaceutical market. We anticipate local private market growth will be fuelled by the introduction of new drug launches and the continued success of our market-leading brands. We are intensifying research and development to formulate new high-value pharmaceutical products and currently have 82 new products in our five-year product development pipeline.

To tap into the immense potential of Southeast Asia's largest economy, Pharmaniaga is expanding its network in Indonesia. Our subsidiary, PT Millennium Pharmacon International Tbk (MPI), is establishing new branches to strengthen logistics and distribution capabilities.

With a central warehouse in Jakarta and 35 branches throughout Indonesia, we are steadily gaining ground in both the pharmaceutical and over-the-counter product markets. The revenue generated from the logistics and distribution business under MPI is expected to grow at a compound annual growth rate (CAGR) of 14% from 2024 to 2028.

ACKNOWLEDGEMENTS

I wish to take this opportunity to express my gratitude to the Board members, senior management and our employees for enabling the Group to move in the right direction. Your wholehearted support has greatly contributed to Pharmaniaga's renewal and nascent resurgence.

I also wish to express my thanks to Independent Non-Executive Directors YB Senator Datuk Dr. Haji Azhar Ahmad, Datuk Lim Thean Shiang, and Dr. Mary Jane Cardosa as well as Non-Independent Non-Executive Director Puan Dayana Rogayah Omar who resigned from the Board during the course of the year. The Group is grateful for their dedication and service during their tenure.

In particular, I extend my appreciation to the Executive Committee headed by Encik Ahmad Shahredzuan Mohd Shariff for their sterling efforts in leading the Group in its toughest period.

I also wish to extend our heartfelt appreciation for the great support given by our shareholders, the Government, customers, business partners, financiers and employees during this challenging period.

Lastly, as a long-established government-linked company, our unwavering commitment to supporting the Government and contributing to Malaysia's progress remains our paramount goal. We remain dedicated to further strengthening this partnership, and being a catalyst for progress and positive change for all Malaysians.

IZADDEEN DAUD
Chairman

EXECUTIVE DIRECTOR’S STATEMENT

DEMONSTRATED REMARKABLE FORTITUDE IN OVERCOMING BUSINESS CHALLENGES

By realigning our business divisions, we concentrated our efforts on navigating the challenges associated with the current situation, paving the way for the Group's resurgence and recovery.

Dear Shareholder,

As the Group enters a transformative phase in its journey, I have been honoured with the trust of taking over the responsibilities and functions of the Executive Committee (EXCO) in running the Group’s operations, effective 1 March 2024.

The EXCO, which I was privileged to be a part of and which has now been dissolved, played a key role in turning around Pharmaniaga during one of its most gruelling years.

The past year has undoubtedly presented its fair share of challenges, from macroeconomic uncertainties to regulatory hurdles. Yet, through resilience and a collective effort, Pharmaniaga demonstrated remarkable operational and business fortitude in overcoming these challenges.

We owe this shared achievement to the professionalism and commitment of the Pharmaniaga workforce and the Board, as well as the full support of our partners, shareholders, and the Group’s technical capabilities built over a track record of more than 29 years across the pharmaceutical value chain.

I am pleased to share this review of the Group’s performance for the financial year ended 31 December 2023 (FY2023).

ZULKIFLI JAFAR
Executive Director

We remained operationally resilient by meeting the stringent MOH KPI requirements and complying with all performance standards.

Drawing from the past year’s lessons, we placed renewed emphasis on developing diverse streams of income within our core businesses.

The Group will continue the resurgence and capitalise on market opportunities to achieve our goal of becoming a competitive and innovative healthcare service provider.

A VISION OF RECOVERY AND RESURGENCE

Our resilient performance was driven by the collective efforts of our talented Pharmaniaga team, as guided by the then EXCO.

During the year, we were focused on strengthening our position in securing Government contracts, as well as making significant strides in the private sector. Identifying these key areas has allowed us to efficiently direct our organisational resources towards driving transformative change and achieving sustainable growth. By realigning our business divisions, we concentrated our efforts on navigating the challenges associated with the current financial situation, paving the way for the Group’s resurgence and recovery.

In striving towards this vision, we laid out five strategic pillars translating the Group’s broader organisational goals into actionable and quantifiable objectives on the ground. These strategic objectives included strengthening the public sector business, building up our biopharmaceutical capabilities, reducing costs, growing the private market, and repositioning the Indonesia business to drive sustainable growth.

The extension of our concession agreement with the Ministry of Health (MOH) for seven years is a testament to the Group’s strong fundamentals and renewed focus in support of these strategic pillars. Other achievements include the establishment of manufacturing facilities for vaccines and insulin to expand our biopharmaceutical business, the implementation of comprehensive cost-optimisation exercises across our business divisions, and launch of diverse new products for the private market as well as building up our business operations in Indonesia, Southeast Asia’s biggest market.

The success of these initiatives is a clear indicator we are on the right track, and undergirds our Regularisation Plan as submitted to Bursa Malaysia. Pharmaniaga’s current financial situation has served to strengthen the Group’s collective resolve to adapt and succeed, catalysing and accelerating our transformation journey as we reassess, reevaluate and reinvent our operations, with a resilient performance in FY2023 as a result.

VISION 525

5 KRAs to get back on-track by 2025

STRENGTHENING PUBLIC SECTOR BUSINESS	BUILDING BIOPHARMACEUTICAL CAPABILITY	OPTIMISING COST AGGRESSIVELY	GROWING THE PRIVATE MARKET	REINVENTING INDONESIA BUSINESS
• Secure sustainable growth through concession business • Increase product portfolio through strategic sourcing initiative	• Accelerate launch of high-value biologics • Expand network & medico-marketing initiatives	• Consolidate central warehouse • Enhance new product development (NPD) process • Rationalise & optimise SKUs at plant	• Strengthen in-licensing business • Focus on first-to-market generics	• Acquire more principals & expand more branches • Enhance sales & marketing capabilities with stronger product portfolio

OPERATIONAL OVERVIEW

This year's performance review highlights our journey of perseverance and adaptability. Despite being weighed down by the ramifications of our current financial status, Pharmaniaga significantly narrowed its losses in FY2023 by 87% to RM78.7 million from a loss after tax of RM627.7 million in the previous financial year. The loss was attributed to a provision for stock obsolescence from slow demand for pandemic-related consumables inventory, a write-off of new product development costs, and write-down of machinery equipment following the cessation of non-core and underperforming businesses.

The Logistics and Distribution Division reported a loss before interest, taxation, depreciation, and amortisation (LBITDA) in FY2023, primarily attributed to a one-off provision for stock obsolescence. Despite the financial loss, the division has remained operationally resilient, meeting stringent MOH key performance indicator (KPI) requirements and complying with all performance standards for the timely provision of critical medical supplies to MOH.

This excellent track record supported the Government's confidence in extending Pharmaniaga's logistics and distribution concession agreement by another seven years. The agreement, signed with MOH on 3 January 2024, took effect retrospectively from 1 July 2023, ensuring the Group's earnings visibility in the mid-term.

Our Manufacturing Division returned to profitability in FY2023 in an impressive improvement from LBITDA in FY2022 when there was a one-off provision on slow-moving inventories of COVID-19 vaccines.

Its business growth was driven by an expanded product portfolio and international business segment, increased capacity including the commissioning of pre-filled syringe filling line at Pharmaniaga LifeScience, as well as line efficiency improvements with digitisation and idle time reduction leading to a 20% increase in operational equipment effectiveness (OEE).

The private sector business segment continues to be a priority for Pharmaniaga. Overall, the business segment recorded sideways movement in operating profit compared to the previous year, attributed to a one-off provision for stock obsolescence from the slow demand pandemic-related consumables inventory. Measures to manage operating expenditure included restructuring of business units to optimise resources as well as deferring big-ticket marketing campaigns.

The Indonesia Division faced a host of challenges in 2023, creating a complex landscape for us to strengthen our presence there. Despite these obstacles, the Division was able to tap opportunities for expansion and growth.

This resulted in a return to the black for our Indonesia operations in FY2023 from a loss after tax the previous year in which there was a write-down of goodwill. This was attributed to enhanced operational efficiency through stock optimisation and assertive collection of payments.

Details of the respective business divisions' financial performance can be found in the Chief Financial Officer's statement on pages 24 to 27 of this Integrated Report.

RESILIENCE THROUGH DIVERSIFICATION

Drawing from the past year's lessons, we placed renewed emphasis on developing diverse streams of income within our core businesses to enhance resilience. This includes our expansion into biopharmaceuticals, with new manufacturing facilities underway to address growing demand for vaccines and insulin, particularly vaccines under the National Immunisation Programme.

Representing a significant investment over the past few years, this push aims to onshore vaccine and insulin production to reduce national dependence on imports.

All products are currently under development and will be manufactured locally for both Government and private markets, starting with pneumococcal conjugate vaccine (PCV), recombinant human insulin and insulin glargine in 2026, followed by hexavalent and human papillomavirus vaccines in 2027.

To accelerate the development of our PCV and hexavalent vaccine products, the Ministry of Science, Technology and Innovation (MOSTI) has approved a grant for a total of RM39.8 million.

Capacity development for analogue insulin and recombinant human insulin products has progressed with plant construction completed, while machine installation is progressing on track at 70%. Throughout its efforts, the Group will collaborate with strategic partners from South Korea, Thailand, China and India to facilitate technology transfer and reach.

Other milestones for the Group in 2023 included the opening of a new distribution centre in Penang in January, and the signing of a Memorandum of Understanding (MoU) with China's CSPC Pharmaceutical Group Ltd in July for the research, development, manufacture and commercialisation of pharmaceutical and biopharmaceutical products.

In line with the growing emphasis on environmental, social and governance (ESG) principles worldwide, we accelerated our sustainability journey through various initiatives. These ranged from decarbonisation through the Pharmaniaga Solar Project, ESG roadshows for employees to charitable community outreach programmes.

For more details on our ESG initiatives, please refer to our Sustainability Statement on pages 66 to 127 of this Integrated Report.

REGULARISATION AND REBUILDING

Pharmaniaga's current situation presented an opportunity to reflect on our operations with a view to value engineering, fortifying core businesses and optimising resources towards rebuilding and restoring the Group's financial health. These improvements resulted in strong operational performance in 2023, with all divisions reporting profitability despite an overall loss before tax for the Group.

We approached the Group's financial rejuvenation with transparency and accountability. MIDF Amanah Investment Bank Berhad (MIDF Investment) was appointed as the principal advisor for our proposed Regularisation Plan, favouring a proactive approach focused on capital reduction of approximately RM180 million issued share capital to reduce Pharmaniaga's accumulated losses, fundraising of RM354.6 million via rights issuance for shareholders to strengthen their investments, and RM300 million in private placement for potential investors to participate in our growth plans moving forward.

We also have support from our substantial shareholders, Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad (BHB), to ensure that their combined entitlements to the rights issue, totalling RM190 million, will be fully taken up. We have submitted the Regularisation Plan to Bursa Malaysia on 23 February 2024 and anticipate approval of the plan by the following quarter. With the plan well in place for execution, the Group anticipates exiting PN17 status by the third quarter of 2025.

In the interim, we undertook a private placement exercise in July 2023, raising RM45.9 million to bridge the Group's working capital requirements.

OUTLOOK

As we are addressing our financial challenges head-on, the Group remains committed to implementing prudent cost-saving measures, and pursuing viable revenue streams towards restoring the financial health of our organisation.

We expect these initiatives to assist the Group in navigating through macroeconomic headwinds in 2024, such as global currency fluctuations and higher labour costs following amendments in the Employment Act, with corresponding impacts on operational expenses and financial performance.

Moving forward, Pharmaniaga's strategic roadmap leverages on our track record of unparalleled service delivery with Government contracts while steering our trajectory toward the private sector.

The renewal of the logistics and distribution concession agreement with MOH affords strong earnings visibility for the Logistics and Distribution Division as it navigates short-term challenges to infrastructure investments and upgrades posed by the current situation, along with volume constraints as growth approaches distribution centre capacity.

Prospects for the Manufacturing Division remain positive despite risk factors such as currency fluctuations and entry of new Approved Product Purchase List (APPL) suppliers, driven by initiatives such as the expansion of the biopharmaceutical manufacturing business. We also optimised our manufacturing processes by employing multi-tip tooling in the tableting process, eliminated preliminary processes in tube preparation by transitioning from inkjet printing to embossing, and packed syrup products directly into the shipper without shrink wrap and paper tray.

Indonesia's dynamic business landscape presents immense potential for growth, with economic expansion projected at 5% in 2024. The Group is well-positioned to leverage on this growth, with the onboarding of new principals and the opening of two new branches.

Through our strong foothold in this market, we will continue to broaden our horizons, expand warehouse capacity and enrich our portfolio to cater to the unique demands of Indonesian consumers, with a view to capitalising on emerging opportunities in the Ibu Kota Nusantara development.

Acknowledging the integral role of our people in building resilience for the Group, we place strategic talent optimisation at the forefront of our efforts, while embracing the versatility of our workforce.

Accordingly, we foster an environment that thrives on adaptability and resilience, positioning us for continued success in an ever-evolving business landscape. Simultaneously, our robust succession planning ensures a smooth transfer of knowledge and skills, guaranteeing the Group's sustained growth and resilience.

I would also like to extend my heartfelt thanks to the Board of Directors in shaping the Group's trajectory. Their insight, dedication, and commitment to Pharmaniaga's mission have been integral to our rejuvenation and success. I also wish to record my appreciation to the members of the EXCO, namely EXCO Chairman and Board member Ahmad Shahredzuan Mohd Shariff, then Chief Operating Officer Mohamed Iqbal Abdul Rahman, and Chief Financial Officer Norai'ni Mohamed Ali for their exemplary leadership in overseeing the Group during the year.

Moving forward, I am confident the Pharmaniaga family will continue the resurgence evident in 2023 and capitalise on market opportunities to achieve our goal of becoming a competitive and innovative healthcare service provider.

ZULKIFLI JAFAR
Executive Director

CHIEF FINANCIAL OFFICER'S STATEMENT

PAVING THE WAY FOR PROFITABILITY AND SUSTAINABLE GROWTH

Dear Shareholder,

As your Chief Financial Officer, I am pleased to provide an overview of Pharmaniaga Berhad's financial performance for the financial year ended 31 December 2023 (FY2023).

FY2023 has undoubtedly been an extremely challenging year as we navigated through the negative repercussions arising from the Group's current financial situation after taking a one-off RM552.3 million provision on slow-moving inventories of COVID-19 vaccines in the financial year ended 31 December 2022 (FY2022).

Nevertheless, as a Group, we managed to undergo this trial by fire to emerge rejuvenated, more resilient and resurgent, having put in place the building blocks for sustained growth moving forward.

This was made possible due to the hard work and commitment of Pharmaniaga's employees, with the leadership of the Board members and management, along with the solid support of all financiers and stakeholders.

NORAI'NI MOHAMED ALI
Chief Financial Officer

FINANCIAL PERFORMANCE REVIEW

The Group has seen a marked improvement in our financial performance and reduced our losses in FY2023 as compared with FY2022. However, we still felt the lingering effects of the pandemic moving into the endemic phase as we had to undertake a one-off provision of RM68.5 million for stock obsolescence from the slow demand of pandemic-related consumables inventory such as personal protective equipment and needles.

There was also a write-off of new product development costs of RM12.8 million due to the non-commercial viability of the products. Additionally, the cessation of non-core and underperforming businesses also resulted in a write-down of machinery equipment of RM12.9 million.

The stigma of being classified as PN17 has had a measurable impact on our operations and cash flow position. Following our current status, certain banks froze some of our banking facilities, which subsequently affected our ability to make timely payments to suppliers.

Fortunately, with the unwavering support of our shareholders and stakeholders, we successfully tackled this issue and alleviated the cash flow constraints. This involved securing cash advances from our major shareholders amounting to RM50 million and conducting a private placement exercise in July 2023, which generated RM45.9 million in funds. Additionally, we obtained a bridging loan of RM75 million from a financial institution in December 2023 to address the Group's working capital requirements.

PERFORMANCE OF BUSINESS DIVISIONS

The Logistics and Distribution Division reported loss before interest, taxation, depreciation, and amortisation (LBITDA) of RM22.3 million for FY2023, a reduction from earnings before interest, taxation, depreciation and amortisation (EBITDA) of RM20.3 million in the previous year. The LBITDA was primarily attributed to a one-off provision of RM63.9 million for stock obsolescence from the slow demand of pandemic-related consumables inventory such as personal protective equipment and a write-down of RM4.1 million of plant and equipment.

Despite challenges, the Group upheld its commitment to the Ministry of Health (MOH) by ensuring efficient and timely delivery of critical medical supplies nationwide. The Division met MOH's stringent key performance indicator (KPI) requirements with an impressive score of 98.75%.

Leading the way in Pharmaniaga's recovery and resurgence in 2023 was the Manufacturing Division. The Division reported an EBITDA of RM19.1 million in FY2023, an improvement from LBITDA of RM520.1 million in FY2022.

In FY2023, the Group incurred several one-off charges, including a provision of RM4.6 million for stock obsolescence, a write-off of new product development costs totalling RM12.8 million due to the non-commercial viability of the products, and a write-down of RM8.8 million on plant and equipment. This latter charge stemmed from the cessation of non-core and non-performing businesses following the closure of such operations.

The long-term prospects of the Manufacturing Division remain bright, driven by continuous expansion of the vaccine manufacturing business alongside sustained demand in the market.

During the year, the Indonesia Division experienced a significant rebound, characterised by a notable increase in EBITDA. In FY2023, the division recorded an EBITDA of RM35.5 million, showcasing a significant improvement compared to the previous year's LBITDA of RM21.7 million. It is worth noting that the previous year's results were impacted by a goodwill write-down of RM50.3 million.

The Division's impressive improvement in EBITDA was attributed to several factors, including increased revenue and improved operational efficiency. This was achieved through optimised stock management practices and proactive efforts in collecting payments. Given Indonesia's substantial population and market size, we firmly believe that our Indonesia business will play a crucial role in the Group's future growth trajectory and serve as a significant revenue generator moving forward.

A major positive from our current financial situation was that it resulted in us improving operational efficiencies, fortifying core businesses, and optimising resources towards restoring Pharmaniaga's financial well-being. These enhancements resulted in strong operational performance for all business divisions during the year.

Stripping out the provisions made in FY2023, the Group would have registered EBITDA, as our business divisions demonstrated improved performance throughout the year, as illustrated in the table below.

Segment	FY2023 (RM million)		FY2022 (RM million)	
	Audited	Without provisions	Audited	Without provisions
Logistics and Distribution	**(22.3)**	**61.1**	20.3	20.3
Manufacturing	**19.1**	**45.3**	(520.1)	32.2
Indonesia	**35.5**	**35.5**	(21.7)	28.6

OUTLOOK

As we move into 2024, it is critical for us to put behind us the negative impact of the post-COVID-19 pandemic which resulted in huge write-downs on unsold stocks of COVID-19 vaccines, and pandemic-related consumables inventory. We have responsibly bitten the bullet and do not anticipate further impact moving forward.

By taking decisive steps to streamline operations, including the cessation of non-core and underperforming businesses, and redirecting our focus towards enhancing operational efficiency, implementing cost-saving measures, and striving for higher profit margins, we are confident that the Group is paving the way for profitability and sustainable growth.

This calculated move is a pivotal element in Pharmaniaga's commitment to reset its business through optimisation of its portfolio, fortifying core business operations, and restoring profitability for the Group.

We have intensified our efforts to introduce cost-saving initiatives across the Group, aligning with our objective of enhancing efficiencies and profit margins. In FY2023, these initiatives yielded total cost savings amounting to RM7.9 million. The major savings were achieved through the implementation of cost containment measures throughout the Group, as well as improvements in our manufacturing processes.

These initiatives were complemented by an 8.5% reduction in cost of goods sold (COGS) through concerted value engineering efforts, including a 3.7% headcount reduction, and e-labelling to reduce physical information leaflet usage, with annual cost savings of RM1.2 million.

We are also continuously engaging with investors and fund managers to reassure them and provide insight into our efforts to rejuvenate the Group while getting their feedback and support.

The leadership has also put in place a clear roadmap to chart the way forward. Underpinned by our five strategic pillars, this plan aims at strengthening the public sector business, building up biopharmaceutical capabilities, growing the private market, optimising cost and repositioning the Indonesia business to drive sustainable growth and unlock value creation opportunities.

Pharmaniaga's resilience and fortitude has shone through this difficult period. Challenges still remain as we seek to exit from the current financial situation by the third quarter of 2025, but we are optimistic that we have turned the corner and now on an upward trajectory.

NORAI'NI MOHAMED ALI
Chief Financial Officer

FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL SUMMARY

All figures are in RM million unless otherwise stated		2023	2022 Restated**	2021	2020	2019
FINANCIAL PERFORMANCE						
Revenue		**3,404.5**	3,480.9	4,815.0	2,725.1	2,820.5
Earnings/(Loss) before interest, taxation, depreciation and amortisation		**23.9**	(535.0)	342.3	101.2	130.6
(Loss)/Profit before zakat and taxation		**(78.2)**	(610.6)	277.1	35.8	(191.9)
(Loss)/Profit after taxation		**(78.7)**	(627.7)	172.2	26.3	(149.4)
Net attributable (loss)/profit		**(80.2)**	(629.9)	172.1	27.5	(149.2)
(Loss)/Earnings per share*	sen	**(5.86)**	(48.09)	13.15	2.10	(11.44)
Return on equity***	%	**-**	-	43.7	8.1	(35.2)
Return on assets	%	**(0.9)**	(27.8)	16.1	4.3	(8.7)
Return on revenue	%	**(0.5)**	(15.0)	6.4	2.5	(5.4)
DIVIDENDS						
Dividend payout	%	**-**	(4.1)	70.4	104.7	(14.9)
Dividend payment		**-**	24.9	121.8	28.8	22.2
Net dividend per share*	sen	**-**	1.9	9.3	2.2	1.7
Dividend yield	%	**-**	3.5	12.6	2.2	4.1
Dividend cover	times	**-**	(25.3)	1.4	1.0	(6.7)
GEARING						
Borrowings		**1,187.1**	1,158.9	855.2	669.6	565.3
Gearing	times	**(4.0)**	(3.1)	1.9	2.0	1.7
Interest cover	times	**(0.3)**	(13.0)	9.3	2.0	(3.8)
OTHER FINANCIAL STATISTICS						
Net assets per share*	sen	**(20.8)**	(28.2)	26.9	25.8	25.9
Price earning ratio times	times	**(6.6)**	(1.1)	5.6	47.6	(3.6)
Paid up share capital		**200.0**	154.2	154.1	153.3	151.9
Shareholders' equity		**(299.1)**	(369.7)	352.1	337.5	337.9
Total equity		**(274.1)**	(348.3)	372.1	355.0	356.9
Total assets		**1,914.9**	1,847.3	2,288.4	1,580.2	1,592.3

* For comparative purpose, (loss)/earnings per share, net dividend per share and net assets per share for FY2019 - FY2020 have been adjusted to reflect the effect of the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 7 July 2021.

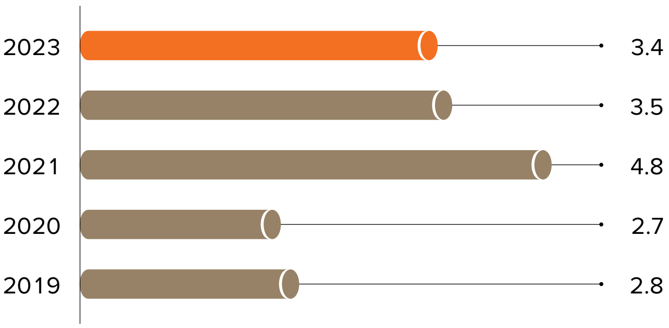
** As stated in Note 37 to the financial statements, the Group restated the comparatives in FY2022 to reflect the estimated amount of penalties specified in the contract with its customer as a form of variable consideration in determining the transaction price at the inception of the contract. For FY2021, the restatement was adjusted to the opening balance retained earnings, hence, affected the shareholders' equity, total equity and total assets.

*** Not applicable for FY2022 and FY2023 due to negative shareholders' equity.

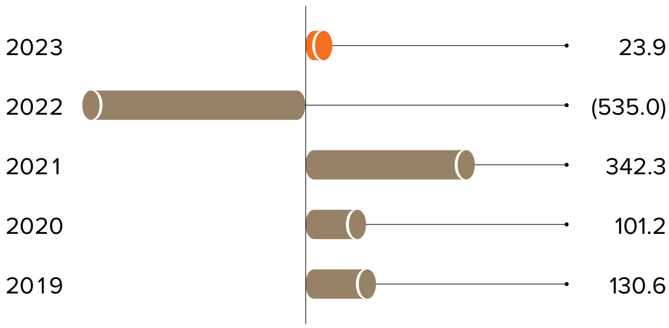
FINANCIAL REVIEW

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

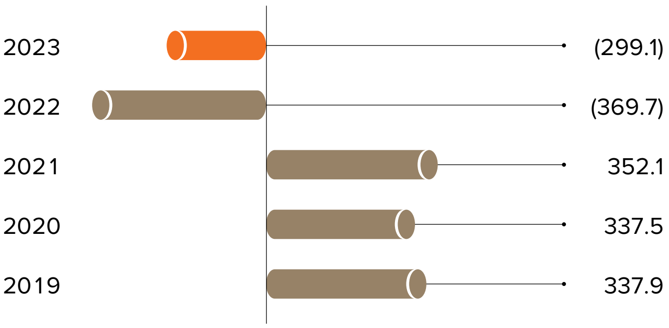
REVENUE (RM BILLION)



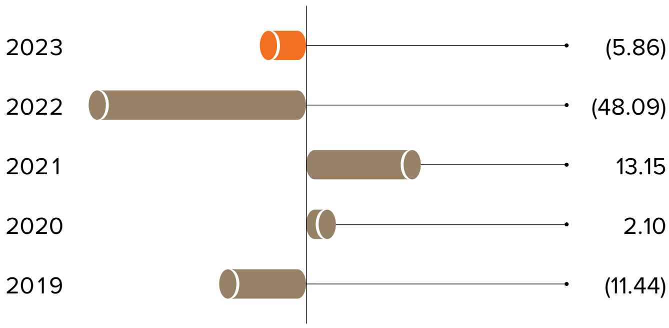
EARNINGS/(LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (RM MILLION)



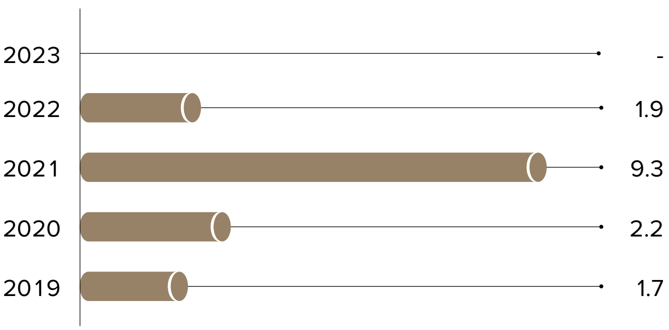
SHAREHOLDERS' EQUITY (RM MILLION)



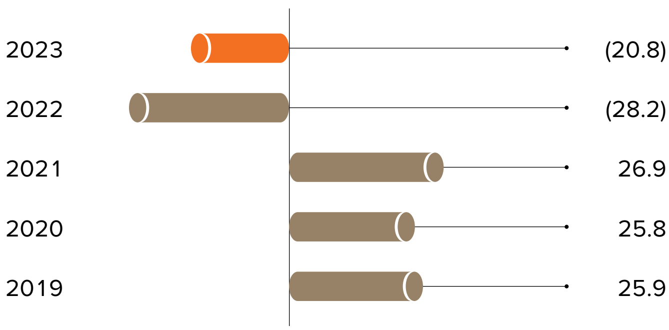
(LOSS)/EARNINGS PER SHARE (SEN)



NET DIVIDEND PER SHARE (SEN)



NET ASSETS PER SHARE (SEN)



FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

2023

RM'000	Q1	Q2	Q3	Q4	YEAR
FINANCIAL PERFORMANCE					
Revenue	880,454	848,734	885,486	789,807	**3,404,481**
Profit/(Loss) before zakat and taxation	9,193	6,342	(56,259)	(37,439)	**(78,163)**
Net profit/(loss)	2,766	2,324	(49,047)	(34,787)	**(78,744)**
Net profit/(loss) attributable to owners of the Parent	2,648	1,961	(49,339)	(35,430)	**(80,160)**
Earnings/(Loss) per share (sen)	0.20	0.15	(3.67)	(2.54)	**(5.86)**

2022

RM'000	Q1	Q2	Q3 Restated*	Q4	YEAR Restated*
FINANCIAL PERFORMANCE					
Revenue	962,174	761,102	894,939	862,720	**3,480,935**
Profit/(Loss) before zakat and taxation	37,439	4,521	(14,153)	(638,395)	**(610,588)**
Net profit/(loss)	28,856	914	(13,227)	(644,197)	**(627,654)**
Net profit/(loss) attributable to owners of the Parent	27,734	722	(13,987)	(644,390)	**(629,921)**
Earnings/(Loss) per share (sen)	2.11	0.06	(1.07)	(49.19)	**(48.09)**
Net dividend per share (sen)	0.8	0.5	0.6	-	**1.9**

* As stated in Note 37 to the financial statements, the Group restated the comparatives in FY2022 to reflect the estimated amount of penalties specified in the contract with its customer as a form of variable consideration in determining the transaction price at the inception of the contract.

FINANCIAL REVIEW

FINANCIAL CALENDAR

FINANCIAL YEAR

- 1 January 2023 to 31 December 2023

RESULTS

- **1st Quarter**
  Announcement date **18 May 2023**
- **2nd Quarter**
  Announcement date **11 August 2023**
- **3rd Quarter**
  Announcement date **29 November 2023**
- **4th Quarter**
  Announcement date **29 February 2024**

OUR KEY RESOURCES

Our key resources are the building blocks that are foundational to Pharmaniaga Berhad's growth and success. Our resources consist of six capitals that we leverage on to create value. Each capital is essential to our operations and are interrelated. In managing these capitals, we therefore need to make strategic decisions to ensure optimal outcomes.

F FINANCIAL CAPITAL

Our financial capital comprises the financial resources available to us, from shareholder funds and profits derived from business units to borrowings and financing from credit suppliers. Our goal is to strengthen our balance sheet by managing our debts and cash flow, whilst safeguarding stakeholder value by strategically investing in research and development, digitalisation and modernisation.

MARKET CAPITALISATION

RM511.6 million

as at 31 March 2024

BORROWINGS

RM1,187.1 million

M MANUFACTURED CAPITAL

All the physical assets essential to running our business activities collectively make up our manufactured capital. These include our five manufacturing plants (four in Malaysia, one in Indonesia), and 50 distribution centres (15 in Malaysia and 35 in Indonesia). We ensure compliance with all applicable industry standards whilst driving business growth by continuously expanding the capacity and capabilities of our physical assets.

TOTAL INVESTMENT IN VACCINE PROJECT

RM130 million

GRANT FROM MOSTI

RM40 million

for the development, clinical trial and process validation of hexavalent and PCV vaccines

INVESTMENT IN INSULIN PROJECT

RM40 million

5 DISTRIBUTION CENTRES IN MALAYSIA

Fully Compliant with Good Distribution Practices

I INTELLECTUAL CAPITAL

We have accumulated significant intellectual capital, encompassing our proprietary and licensed products, brands, dossiers, technologies, software, licences and standard operating procedures. We continue to innovate with new product lines driven by our proprietary research and development efforts. Leveraging on our partnerships with biotech organisations worldwide, we foster collaborative technology transfer and resource sharing.

OVER 20 STRATEGIC PARTNERSHIPS

With Global and Local Pharmaceutical Companies, and Academic Institutes

H HUMAN CAPITAL

Our people are our greatest asset in driving Pharmaniaga's growth and resilience. Our current workforce comprises 3,476 employees throughout our Malaysian and Indonesia operations. We strive to continue attracting and retaining top talent, enhancing their skills through ongoing training and development to maintain operational excellence whilst empowering the Group's success in alignment with our values and goals.

3,476 Employees

99.7% are Local

INVESTMENT IN EMPLOYEE TRAINING & DEVELOPMENT

RM0.9 million

S SOCIAL & RELATIONSHIP CAPITAL

Our stakeholders, from customers and investors to suppliers and local communities, make up the social and relationship capital driving our sustainable growth. We focus on cultivating strong, trust-based relationships across our stakeholder groups through targeted corporate and social initiatives. For example, we engage with and support small- and medium-sized enterprises (SMEs) via our Vendor Development Programme.

6,540 Customers

Including MOH Hospitals and Health Centres, Pharmacies, Private Hospitals and Clinics

96

APPL Suppliers

N NATURAL CAPITAL

We utilise a range of natural resources, such as water and fuel, both directly and indirectly, for the purposes of packaging material, raw products and electricity throughout our operations. We acknowledge the scarcity of the world's natural resources and endeavour to utilise them efficiently. We recognise the need to fight climate change and contribute through responsible waste management and reduction of our carbon footprint.

ACCELERATED THE PHARMANIAGA SOLAR PROJECT

Empowering Our Decarbonisation Programme Via Solar Power Purchase Agreement (SPPA)

OUR VALUE CREATING BUSINESS MODEL

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

INPUTS

F FINANCIAL CAPITAL

- Shareholders' Equity: **(RM299.1 million)**
- Borrowings: **RM1,187.1 million**
- Net Liabilities Value: **RM274.1 million**

M MANUFACTURED CAPITAL

- **5** Manufacturing Plants: • **4** in Malaysia • **1** in Indonesia
- **50** Logistics & Distribution Sites: • **15** in Malaysia • **35** in Indonesia
- **200** Delivery Vehicles Owned
- New State-of-the-art Pre-filled Syringe Filling and Insulin Manufacturing & Packaging Facilities
- Hexavalent Vaccine Project: **RM80 million**
- PCV Project: **RM50 million**
- Insulin Project: **RM40 million**

I INTELLECTUAL CAPITAL

- **1** Research & Development (R&D) Centre
- **5** Manufacturing Plants
- **218** Scientists and Technical Experts at Manufacturing Plants

STRATEGIC PILLARS

- Strengthening Public Sector Business
- Optimising Cost Aggressively
- Reinventing Indonesia Business
- Building Biopharmaceutical Capability
- Growing the Private Market

MANUFACTURING

LOGISTICS & DISTRIBUTION

INDONESIA OPERATIONS

KEY MARKET TRENDS

- Global Pharmaceutical Market
- Potential of Biopharmaceuticals
- Rapid Growth of Private Sector
- Growing the Indonesia Market

KEY RISKS

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

MATERIAL MATTERS

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

H HUMAN CAPITAL

- **3,476** Employees: • **60.5%** Male • **39.5%** Female
- Invested **RM0.9 million** in Employee Training and Development

S SOCIAL & RELATIONSHIP CAPITAL

- **80.2% Local** procurement
- **19.8% International** procurement

N NATURAL CAPITAL

- Total water withdrawal: **288.85 megalitres**
- Total electricity consumption: **140,542 GJ**
- Total grey black carton use: **229.44 tonnes**
- Solar energy generated: **749.50 GJ** generated

SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK....

HIGHEST STANDARDS OF GOVERNANCE AND EFFECTIVE BOARD LEADERSHIP

GUIDED BY....
OUR VISION & MISSION

UNDERPINNED BY....
OUR CORE VALUES

OUTPUTS	OUTCOMES	RELATED STAKEHOLDERS

OUTPUTS

PRODUCTS

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

- Cardiovascular system
- Anti-diabetic/Insulin
- Biopharmaceuticals/ Vaccines
- Supplements
- Anti-infectives
- Central Nervous System
- Analgesics
- Anticoagulants
- Medical Device

WASTE

Waste generation are inevitable consequences of the Group's operations, production and distribution. The following activities were conducted throughout the year:

- 959.37 tonnes of non-hazardous waste recycled
- 4.629 tonnes of hazardous waste recycled into alternative raw material for the cement industry
- 397.38 tonnes of hazardous waste directed to disposal

OUTCOMES

F FINANCIAL CAPITAL

- Total Revenue: **RM3.4 billion** (2022: RM3.5 billion)
- Loss Before Zakat and Taxation: **RM78.2 million** (2022: RM610.6 million)
- Loss After Zakat and Taxation: **RM78.7 million** (2022: RM627.7 million)

M MANUFACTURED CAPITAL

- **A diversified portfolio of nearly 500 products** registered locally and internationally in multiple dosage forms and therapeutic categories
- **Providing high-quality, affordable medicines and products** - Revenue: **RM296.0 million**

I INTELLECTUAL CAPITAL

- **2 Projects in clinical development**
- Registered **16 new products internationally**

H HUMAN CAPITAL

- Number of **employees trained: 3,160** (2022: 3,129)
- Number of **technical professionals developed: 42** (2022: 48)
- Employee Engagement Index: **84.8%** (2022: 84.4%)

S SOCIAL & RELATIONSHIP CAPITAL

- Total **Corporate Investment**:
  - Malaysia **RM3,081,809**
  - Indonesia **IDR 2,027,714,560**

  (inclusive of wakalah zakat contribution)

N NATURAL CAPITAL

- **GHG Emissions Reduction of 4.92%** against 2019 performance data
- Energy savings of **749.50 GJ** resulting in **157.81 tCO_2e** of GHG emissions from utilisation of renewable energy
- Accelerated the **Pharmaniaga Solar Project**

STAKEHOLDER ENGAGEMENT

We are committed to take actions that will positively impact our stakeholders, including patients, consumers, employees, communities and shareholders. It is paramount in our business strategy to take into account the interests of our stakeholders. Our business growth and resilience are powered by our strong synergy with our stakeholders. We believe that it is essential to maintain open and regular communication with them because this will enhance mutual understanding, foster strong relationships, drive partnerships, and create shared values.

We engage with our stakeholders throughout the year to ensure that their needs are responded to in a timely manner. The frequency of communication varies for each stakeholder and their needs; it can be daily, monthly, quarterly, seasonal, annually, yearly, and as and when necessary. The table below shows our main stakeholder groups, their interests and concerns, our proposed solutions, and engagement platforms.

GOVERNMENT AGENCIES & REGULATORY AUTHORITIES

Key Concerns	How We Responded
• Timely access to affordable healthcare products and services • Regulatory compliance, including environmental and occupational safety and health, the Anti-Bribery Act, and the Medical Device Act • Best practices and policies	• Met industry and regulatory standards by certification and consistently monitoring, implementing stringent quality control, internal audits and adopted a cautious business approach. • Actively held compliance and awareness training on regulations and Acts to ensure best practices and policies are being attended. • Actively held dialogue sessions with the Ministry of Health, Pusat Tanggungjawab (PTJ) and Jabatan Kesihatan Negeri to build long-term business relationships between pharmacists and Contact Care Agents (CCAs). • Engaged in policy advocacy by providing input to government agencies during the development of policies, regulations, and guidelines.

EMPLOYEES

Key Concerns	How We Responded
• Business environment volatility and uncertainty • Talent recruitment, selection and retention • Salary and benefits • Employee welfare • Health and safety	• Established open and transparent communication channels to keep employees informed about company updates, initiatives, and performance. • Adopted a Business Continuity Plan. • Carried out training and skills development programmes. • Recognised and acknowledged employees for their contributions, achievements, and milestones. • Invested in employee training and development programmes to support skill enhancement, career growth, and personal development. • Encouraged employee participation in professional bodies and association memberships. • Organised employee social, sports and health engagement activities. • Enacted anti-discrimination and anti-harassment policies. • Maintained Occupational Health and Safety Management (OHSMS) certification. • Conducted Hazard Identification, Risk Assessment and Risk Control/Hazard Identification, Risk Assessment and Determining Control (HIRARC/HIRADC). • Expanded product portfolio through technology and knowledge transfer across multiple disciplines.

CUSTOMERS

Key Concerns	How We Responded
• Product & service quality • Product responsibility • Regulatory compliance • Customer complaints and grievances • Halal-certified products	• Continued the development and production of high-value generics and expansion into biopharmaceuticals, primarily the production of vaccines and insulin. • Carried out cost and productivity optimisation exercise for all products and services. • Adopted an object and text recognition Graphic User Interface (GUI) system for product traceability. • Maintained ISO 9001:2015 and Systems and ISO 18295-1:2017. • Provided a customer complaints and grievances platform. • Conducted internal audits benchmarking our performance and compliance against the guidelines and industry standards. • Continued initiatives to expand Halal-certified products, by working closely with industry experts and authorities.

SUPPLY CHAIN PARTNERS

Key Concerns	How We Responded
• Procurement practices and policies • Business integrity • Financial stability • Environmental conservation and preservation • Vendor performance	• Carried out Vendor Accreditation Process and performance assessment. • Established due diligence and site inspection procedure for partner/vendor selection. • Formed strategic partnership with registered local independent pharmacies (LIPs). • Conducted internal and external audits to ensure that our material and waste management practices meet the ISO 14001: 2015 Environmental Management Systems certification standards. • Provided skills, knowledge training and grant consultation under the Vendor Development Programme (VDP). • Put in place Vendor Development and Evaluation Programmes to ensure continuous improvement of product and services.

PROVIDERS OF FINANCIAL CAPITAL

Key Concerns	How We Responded
• Business performance • Economic contribution • Regulatory compliance • Quality, timely and transparent communication • Governance	• Conveyed clear business and operational strategy. • Updated on business performance through press conferences and analyst briefings. • Developed a broad range of choices and a preference for local suppliers. • Monitored strictly to ensure compliance with relevant rules and regulations. • Organised AGM, EGM and investor meetings. • Upheld good corporate governance through policies such as the Code of Conduct and Anti-Bribery and Corruption (ABC) Policy to ensure regulatory compliance.

MEDIA

Key Concerns	How We Responded
• Information disclosure through media release, events, advertisement and product placements	• Conducted media interviews. • Updated news releases. • Responded to media queries. • Prioritised advertising expenditure on key brands through more aggressive advertising and marketing. • Local media covering digital and print platforms. • Invested continuously in brand building activities in relevant media. • Increased investment and consumer engagement across social media platforms, media conferences, analyst briefings and quarterly results of the Group are also made available on the website.

COMMUNITIES

Key Concerns	How We Responded
• Community service • Job creation • Community welfare • Environmental conservation and preservation	• Made charitable contributions through multiple outlets especially in educational improvement. • Provided graduate employment opportunities and development such as training, internship and collaboration with NGOs with similar development programmes. • Provided our talents with the necessary skills to specialise in biopharmaceutical fields. • Initiated various philanthropic, volunteering and communication activities with NGOs and the local government. • Implemented and monitored initiatives for waste, water, energy, GHG emissions, and material management to conserve and preserve the environment.

MATERIAL SUSTAINABILITY MATTERS

Pharmaniaga consistently conducts materiality assessments involving key internal and external stakeholders. These assessments aim to identify current and emerging sustainability issues that could significantly affect our company and stakeholders. This process has enabled us to understand our risks and opportunities, anticipate challenges and align our strategies and action plans with the evolving sustainability landscape to ensure continued relevance.

MATERIALITY ASSESSMENT PROCESS

In FY2022, we selected 12 sustainability issues that are aligned with our key focus areas. During FY2023, we conducted a review of our material issues, confirming their continued relevance to our current activities. Moreover, as there have been no significant changes to our business scope, our materiality issues have remained unchanged in the current reporting period.

STEP

01 IDENTIFICATION AND PRIORITISATION

Material sustainability matters were identified and reviewed for their relevance to the current sustainability risks and opportunities. The process involved benchmarking the material matters against local and regional industry peers and considering the sustainability developments within the industry, including aligning with relevant reporting frameworks and Economic Environmental Sustainability Governance (EESG) indices. The material issues were prioritised following a reassessment by the Sustainability Working Group (SWG) to determine their significance and impact on the business and stakeholders.

02 STAKEHOLDER ENGAGEMENT

Feedback and insights from internal and external stakeholders were sought to incorporate the influence of sustainability matters on each individual stakeholder group.

03 VALIDATION AND APPROVAL

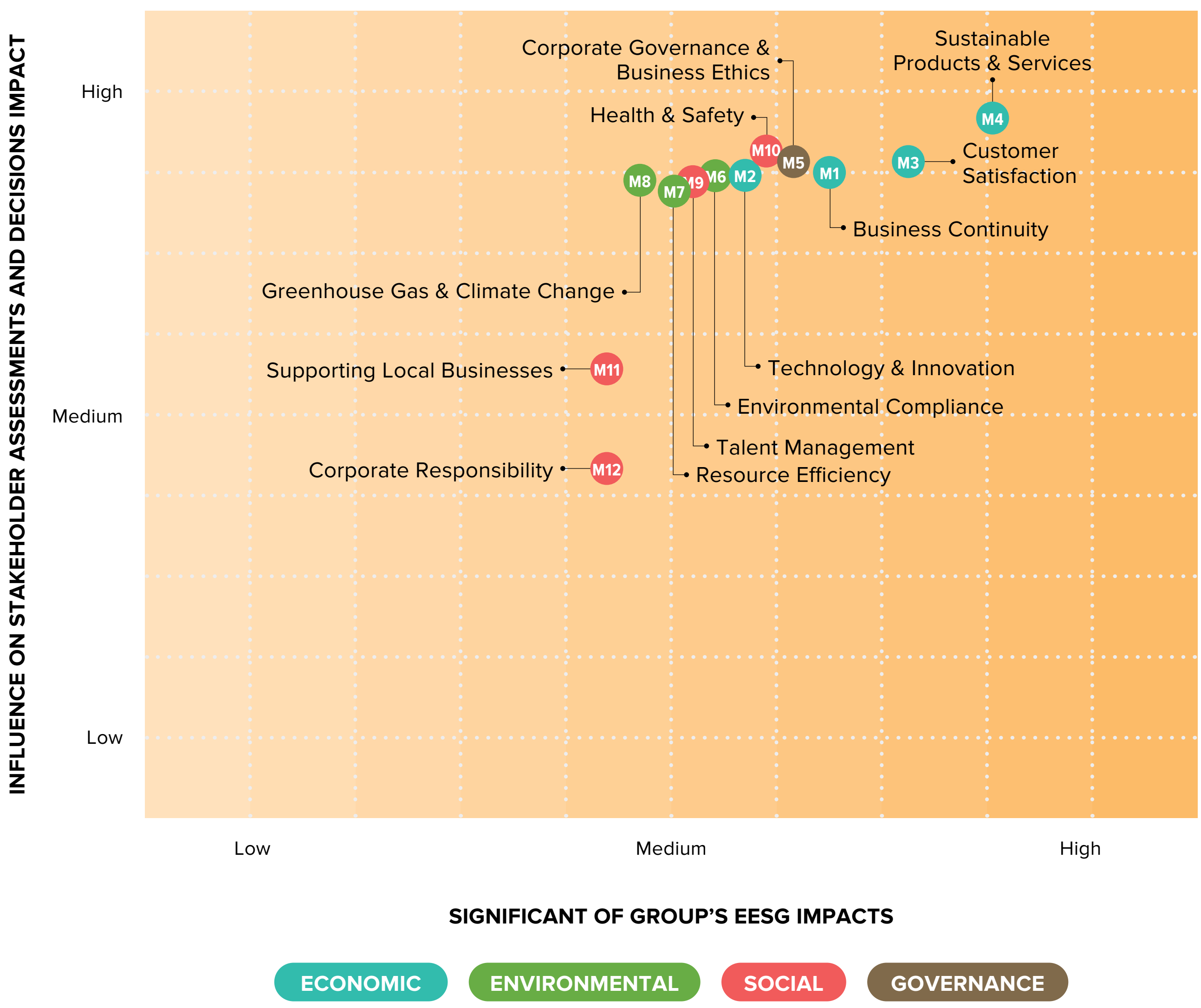
The findings from the assessment process were plotted on a materiality matrix and deliberated on and validated by the Sustainability Management Committee before they were presented to the Board for endorsement.

THE MATRIX

The matrix below displays the 12 Economic, Environmental, Social and Governance (EESG) issues that have been deemed most important to the Group and our stakeholders. Mapped on the top right-hand quadrant are those of the highest significance to both the Group and the stakeholders. The top sustainability issues are Sustainable Products and Services, Customer Satisfaction, Business Continuity, Corporate Governance and Business Ethics, and Health & Safety. These matters are directly related to our core business and operations.

Meanwhile, the matrix suggests that Corporate Responsibility is of the most minor importance. Nevertheless, we have carried out various philanthropic, charitable and volunteering activities in the communities where we operate because we recognise their significance.

MATERIALITY MATRIX



SUSTAINABILITY RISK MANAGEMENT STRATEGY

The Group has adopted a sustainability risk management strategy that integrates our material matters into our value chain and organisational performance. In managing our risks, we consider our corporate strategy as the foundation from which we build business decisions based on the obtained sustainability-related information. It also improves the performance of our five Goals alongside our material matters.

MATERIAL MATTERS	RISK	OPPORTUNITIES
M1 BUSINESS CONTINUITY	• Disruptions, disasters or unforeseen events that could impact business operations.	• Implementing business continuity management through: – Policy and procedure development/enhancement. – Coordinate testing on critical business functions. – Provide continuous training and awareness to all staff.
M2 TECHNOLOGY & INNOVATION	• Rapid technological changes may lead to obsolescence or vulnerabilities. • Increase in cyber threats.	• Embracing innovation can lead to competitive advantages and improved operational efficiency. • Continuous monitoring and enhancing of cybersecurity defence.
M3 CUSTOMER SATISFACTION	• Dissatisfied customers may lead to reputation harm and loss of business.	• Conduct customer satisfaction surveys to identify any gaps/weaknesses for future improvement. • High customer satisfaction can foster customer loyalty, generate positive word-of-mouth, and sustain business continuity.
M4 SUSTAINABLE PRODUCTS & SERVICES	• Increasing demand for sustainability may impact businesses that do not adopt ESG practices.	• Adherence to rules and regulatory requirements related to the business environment. • Meeting the demand for sustainable products/ services that could attract environmentally conscious consumers and enhance brand reputation.
M5 CORPORATE GOVERNANCE & BUSINESS ETHICS	• Ethical lapses or governance failures can result in legal, financial and reputational consequences.	• Continuous monitoring through compliance and audit functions. • Strong governance and ethical practices can build stakeholder trust and enhance the organisation's reputation.
M6 ENVIRONMENTAL COMPLIANCE	• Non-compliance with environmental regulations can lead to legal issues and reputational damage.	• Meeting or exceeding environmental standards demonstrates corporate responsibility and compliance, positively affecting reputation. • Certified with ISO 14001:2015 Environmental Management System for Manufacturing and Logistics Sites.

MATERIAL MATTERS	RISK	OPPORTUNITIES
M7 RESOURCE EFFICIENCY	• Inefficient use of resources can result in increased costs and environmental impact.	• Implementing resource-efficient practices through continuous initiatives such as reducing energy, carbon emission, water consumption and waste management, as well as increasing the use of renewable energy sources.
M8 GREENHOUSE GAS & CLIMATE CHANGE	• Regulatory changes, physical risks and market shifts related to climate change.	• Reducing GHG emissions through decarbonisation programmes, such as energy efficiency, renewable energy (solar) and electric vehicles.
M9 TALENT MANAGEMENT	• Difficulty attracting, retaining and developing skilled employees.	• Effective talent management could improve workforce productivity, innovation and overall business performance. • Provide work-life balance and engagement activities. • Established a succession plan, especially on key talent positions. • Provide training and competency enhancement.
M10 HEALTH & SAFETY	• Workplace accidents, injuries, or health-related issues may result in penalties.	• Certified with ISO 45001:2018 Occupational Safety & Health Management System for Manufacturing and Logistics Sites. • Prioritising health and safety by inculcating training and awareness to all staff.
M11 SUPPORTING LOCAL BUSINESSES	• Ensuring the quality and safety of products and services from local businesses may be challenging, and any lapses could lead to product recalls, penalty, legal issues, and damage to the Group's reputation.	• Offer capacity-building programmes such as soft skills and technical training, and industry engagement for local businesses to enhance their competitiveness, efficiency and ability to adapt to changing market conditions. • Diversify the Group's network of local suppliers to minimise the impact of economic challenges faced by any single partner.
M12 CORPORATE RESPONSIBILITY	• Challenges in providing affordable and equitable access to medicines, particularly in underserved communities, may raise ethical concerns and damage the Group's reputation. • Safety and quality of pharmaceutical products can jeopardise public health and undermine the Group's commitment to corporate responsibility.	• Develop access programmes, collaborate with healthcare organisations and explore innovative pricing models to ensure broad availability of essential medicines. • Implement stringent quality control measures, adhere to Good Manufacturing Practices (GMP), and invest in technologies for product traceability.

STRATEGIC REVIEW
KEY MARKET TRENDS

The global healthcare market has been experiencing steady growth and is anticipated to expand at a compound annual growth rate (CAGR) of 5.1% between 2023 and 2027, with emerging markets particularly poised for significant growth.

GLOBAL PHARMACEUTICAL MARKET

Capitals F M I **Strategic Pillars**

Trend Description

The pharmaceutical sector has likewise grown in recent years, with global pharmaceutical industry spending projected to reach USD1.9 trillion by 2027, growing at a CAGR of 5.3%.

This is driven primarily by an increasing aging population, rising prevalence of non-communicable diseases, increasing healthcare expenditure and access to healthcare services, unhealthy lifestyle and food intake, rising health insurance coverage, and increasing expectations on quality of life. The pharmaceutical sector remains a vital component of Malaysia's healthcare market and its healthy growth is due to increased demand for medical services and pharmaceutical products.

How Does It Impact Us

With global trends pointing to the pharmaceutical industry continuing to grow, and this will inevitably mean more competitors seeking to be part of the industry. We anticipate more pharmaceutical players will enter the Malaysian market over time.

How We Responded

To ensure we maintain relevant and grow our market share, we will continue developing more products and aim to be one of the first to market generics. In addition, Pharmaniaga's strategic decision to venture into biopharmaceutical products reflects its commitment to be one of the market leaders in the industry.

To remain competitive, key matrices such as operational efficiencies will be a top priority to ensure the Group produces quality products at the most competitive rates. Strategic collaborations with various multinationals (MNCs) could also present opportunities to grow our product portfolio.

Outlook

The pharmaceutical industry's growth rate has slowed down marginally from over 6% to around 5%. This stems from the post-COVID-19 pandemic slowdown as the industry stabilised after a higher-than-average growth experienced during the pandemic period. Nevertheless, the 5.3% growth still provides a positive outlook for the industry given the inelastic demand for healthcare services.

With our extensive portfolio of high-quality assets, our expertise and talented people, Pharmaniaga is well placed to take advantage of opportunities arising from the growth in the healthcare market, both in Southeast Asia and Malaysia.

POTENTIAL OF BIOPHARMACEUTICALS

Capitals F M I **Strategic Pillars**

Trend Description

The USD708 billion biopharmaceutical market remains the bright spot in the pharmaceutical sector, growing at a CAGR of 11.9%. It is expected to make up 40% of the total industry by 2027.

This accelerated increase in demand is due to diseases becoming more complex and requiring a targeted and personalised approach. In addition, the rising demand also springs from biotechnology in precision medicine that is tailored to patient's genetic make-up for more effective treatment. However, generic pharmaceuticals are expected to grow slower but biosimilars will grow faster at 17.8% CAGR. Notably, growth for the biosimilars market is higher than overall biopharmaceuticals growth.

How Does It Impact Us	How We Responded
Global trends are suggesting that the biopharmaceutical industry is growing twice as fast than the industry average and will soon make up almost equal halves with the small molecules segment.	Given its huge potential, Pharmaniaga will continue focusing on this segment by further investing in Pharmaniaga LifeScience Sdn Bhd's (PLS) biopharmaceutical plant in Puchong, Selangor. The Group is set to complete its pre-filled syringes and cartridges line for vaccines and insulin in 2024, and commercialisation of these products is expected to begin in late 2025.

Outlook

Though there are several companies trading such products through their strategic partnership with MNCs, there is currently no locally-owned manufacturer for vaccines and insulin in Malaysia. This is likely due to the significant investment costs associated with the manufacturing of biopharmaceutical products, which means the barrier to entry is high. This puts Pharmaniaga in an ideal position to capitalise on the growing demand for these products, especially generics, moving forward.

RAPID GROWTH OF PRIVATE SECTOR

Capitals F M I **Strategic Pillars**

Trend Description

The Malaysian pharmaceutical market was valued at about RM10.3 billion in 2022 and expected to reach RM15.1 billion by 2027, with a CAGR of 8%. This robust growth is being driven primarily by the private market rather than the public sector, where growth is constrained by annual government budgets.

The rise in spending is largely driven by the rapid growth within the private sector, particularly on over-the-counter and originator drugs. Notably, 53% of the spending is on originator drugs, which are not produced locally. There is also a limited number of local players with sufficient capabilities to produce biologics, hence the dependency on MNCs.

How Does It Impact Us	How We Responded
Undeniably, the rapid growth in the private sector of Malaysia's pharmaceutical market offers huge potential, and the Group should leverage on this as the way forward.	Pharmaniaga aims to expand its presence in the private sector, and this aligns perfectly with the Group's diversification policy. We remain optimistic that with our strong product portfolio and innovative medico-marketing approaches, we can capture a larger market share from the private segment. Continuous cost optimisation programmes have been put in place to ensure our products are competitively priced in the market.

Outlook

Amongst the top 10 pharmaceutical companies (ranked by total sales) in Malaysia, there are only two local companies including Pharmaniaga, and this denotes heavy reliance on MNCs. With more originator products passing their patent expiry, more generic products will appear in the market. Local manufacturers such as Pharmaniaga are well placed to capture a higher market share.

GROWING THE INDONESIA MARKET

Capitals F M I **Strategic Pillars**

Trend Description

As Southeast Asia's most populous country and largest economy, Indonesia offers a significantly bigger opportunity given its pharmaceutical market is four times the size of Malaysia's market. Projected to grow to USD4.3 billion (RM20.6 billion) by 2027, Indonesia's pharmaceutical market is appealing due to its much larger customer base, increasing middle class, rising burden of non-communicable diseases, and huge demand for halal products.

How Does It Impact Us	How We Responded
This means there is significant potential for us to grow our Indonesia business given that Pharmaniaga is already present in the market through its subsidiaries.	Pharmaniaga has the strategic advantage of being able to tap into the Indonesia market through its subsidiary – PT Millennium Pharmacon International Tbk with its large logistics and distribution (L&D) presence across Indonesia and PT Errita Pharma, a manufacturing plant in Bandung. The Group is also strengthening its sales and marketing team to market its products as branded generics and will further strengthen its L&D coverage through expansion of new branches and the acquisition of more principals.

Outlook

The operating environment for pharmaceutical players in Indonesia is relatively challenging. More than 77% of pharmaceutical products are from 220 local manufacturers while the remaining 23% are from 144 MNCs. The local companies are dominating the market due to the existence of trade barriers that restricts MNCs from entering the Indonesia market.

OUR KEY RISKS AND MITIGATION

INTRODUCTION

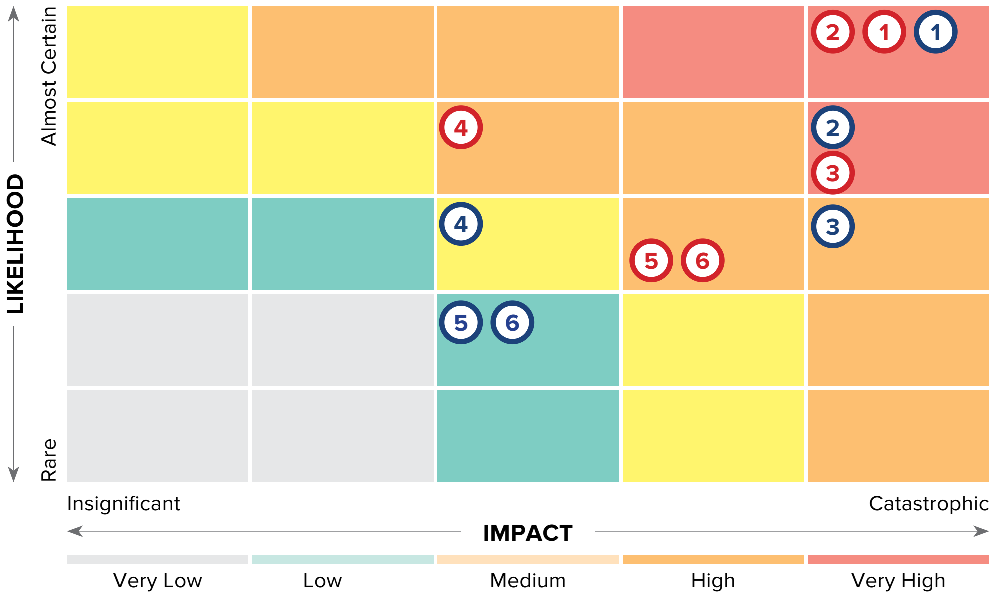
The evolving business landscape that Pharmaniaga operates in presents a set of risks that can have significant impact on our business operations and financial performance. As such, risk management has become an integral part of the Group's business strategy and we have implemented a comprehensive system dedicated to identifying, evaluating and mitigating any risks that may pose a threat to our business operations.

Our Risk Management Unit is entrusted with the responsibility of ensuring that risks are kept within acceptable appetite. We are fully focused on preventing or limiting risks from derailing us achieving our business goals, and ensuring we can continue creating sustainable value for our stakeholders.

Risk Description:

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

Gross Risk
Residual Risk



CYBERSECURITY RISK

Risk Description

The Group experienced a cyberattack that prompted us to take immediate and comprehensive measures to strengthen our protection mechanisms.

Risk Trends and Impact

- Digital technologies continue to revolutionise the way companies conduct business.
- Keeping pace with the speed of digital transformation is imperative for the Group's future.
- The Group remains steadfast with effective controls to mitigate major business disruptions caused by cyberattacks.

Potential Impact

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

Mitigation Measures

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

Results of Mitigation Measures

- Successfully conducted Disaster Recovery Plan (DRP) testing exercise on critical business functions with no major findings.
- Strengthened cybersecurity control functions through Multi Factor Authentication, Secure Link and Sender Policy Framework.

Impact

Capitals: F M I H

Strategic Pillars

Stakeholders

Material Matters: M1 M2 M5

FINANCIAL RISK

Risk Description

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

Risk Trends and Impact

The Group's financial position has been stabilising with close monitoring on the cash flow.

Potential Impact

- Difficulty in obtaining funding mainly due to PN17 status.
- Inappropriate financial management may materially affect the Group's financial position and business operations.
- Limited access to future borrowings.
- Key stakeholders i.e. vendors, suppliers and customers may reassess their relationship with Pharmaniaga.

Mitigation Measures

- Established PN17 Task Force to lead the development of the Regularisation Plan (RP).
- Appointed financial, legal and corporate advisers to assist on the development of RP.
- Reviewing and assessing the performance of all subsidiaries for the purpose of business rationalisation.
- Implementing and continuous monitoring on cost containment.
- Negotiating with bankers to secure funding and financing.
- Negotiating with suppliers on payment terms.
- Implementing stock optimisation to reduce handling cost.

Results of Mitigation Measures

- To uplift from PN17 status. The RP was submitted to Bursa Malaysia on 23 February 2024.
- Continuous business operations despite the challenges. The Group obtained renewal of the concession business on 3 January 2024.

Impact

Capitals: F S

Strategic Pillars

Stakeholders

Material Matters: M1 M2 M4 M5

BUSINESS RISK

Risk Description

This risk has the potential to impact the development and execution of our business strategies and plans. It includes increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policies, and availability of supplies.

Risk Trends and Impact

The challenging business environment arising from geopolitical tensions and economic slowdown did not affect execution of business strategies due to the close monitoring of product/project progress and business results.

Potential Impact

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

Mitigation Measures

- Continuously assess and finetune our product portfolio to achieve balanced and diversified offerings, focusing on niche products such as biopharmaceuticals based on demand analysis.
- Creation of long-term strategic value through the achievement of Key Performance Indicators (KPIs) to meet customers' business requirements.
- Forging mutually beneficial collaborations with strategic partners for new business segments and growth.
- Leverage business analytics for commercial strategy enhancement.

Results of Mitigation Measures

- Product and project developments are monitored rigorously through various committees for better solution and more informed decisions.
- Maintain customers' confidence by consistently meeting their business requirements.

Impact

Capitals: F I S

Strategic Pillars

Stakeholders

Material Matters: M1 M2 M3 M4 M5 M7 M9 M10 M11

ENVIRONMENTAL SUSTAINABILITY RISK

Risk Description

Regulators, investors and other stakeholders increasingly expect the Group to reduce and mitigate the environmental impacts of its operations across its value chain.

Risk Trends and Impact

There is growing demand to increase Environment, Social and Governance (ESG) initiatives.

Potential Impact

- Water shortage may disrupt our operations and supply chain.
- Environmental damage (air/water pollution, soil contamination and hazardous gas emission).
- Reprimand, imposition of penalty, or license suspension by regulators/authorities.
- Financial loss from higher operating expenditure due to inability to manage efficient consumption of utilities.
- Loss of reputation.
- Contributing to climate change and environmental degradation due to heavy reliance on non-renewable energy.
- Improper disposal of pharmaceutical waste can lead to environmental contamination and harm ecosystems.

Mitigation Measures

- Enforcing Safety, Health and Environmental Policy and adhering to local environment rules and regulations while maintaining ISO 14001:2015 Environmental Management Systems certification throughout our subsidiaries.
- Installation of air pollution control systems to ensure emissions from our manufacturing plants are within permissible limits.
- Minimising Greenhouse Gas (GHG) emissions through energy saving initiatives such as energy management and building management systems, LED retrofits in our buildings, and installation of solar panels.
- Recording and monitoring our buildings' energy consumption, GHG emissions, water consumption, and waste and effluent management.
- Conducting regular energy audits and daily inspection of main systems.
- Establishing Sustainability Roadmap (2016-2030) to provide strategic direction, decision making and management of sustainability in our daily operations.
- Observing a waste mitigation hierarchy in daily operation, involving thorough inventory planning, incorporation of recycled input material, and monitoring waste-related impact activities.
- Continuous education and awareness initiatives to employees and other stakeholders on the importance of environmental stewardship.

Results of Mitigation Measures

- Maintaining good rating in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index.
- Achieving 4.92% reduction of GHG emission against the 2019 baseline.
- Energy savings of 749.50 GJ and avoided 157.81 tCO_2e of GHG emission from the utilisation of renewable energy.

Impact

Capitals: F H S N

Strategic Pillars

Stakeholders

Material Matters: M2 M4 M6 M7 M8

LEGAL AND REGULATORY RISK

Risk Description

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

Risk Trends and Impact

The risk trends remain unchanged. Status of risk factors, events or occurrences are mainly the same.

Potential Impact

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

Mitigation Measures

- Operational and technical teams work closely to ensure compliance with industry and regulatory standards.
- Monitoring and renewing relevant license/permits in a timely manner.
- Establishing and regularly updating relevant policies and procedures.
- Periodical sites inspection by accredited regulatory bodies.
- Continuous monitoring and review by Regulatory Compliance, Quality and Safety and Internal Audit to ensure all regulatory requirements are met.
- Continuous awareness, training and 'Do It Right Always' (DIRA) campaign to heighten employees' awareness and ensure regulatory compliance.

Results of Mitigation Measures

There were no suspension/revocation of licenses/permits by the authorities in 2023.

Impact

Capitals F M I H S N

Strategic Pillars

Stakeholders

Material Matters M1 M3 M4 M5 M10

CORRUPTION RISK

Risk Description

Potential exposure of corruption risk based on the nature of business that exposes dealings with the Government and private business through concession, purchase order, tendering and engagement with suppliers.

Risk Trends and Impact

The risk trends remain unchanged. Status of risk factors, events or occurrences is mainly the same.

Potential Impact

- Interrupts business operations.
- Affects Company's cash-flow.
- Director may be charged under 17A MACC Act.
- Loss of reputation and image.
- Loss of business potentials and opportunities.
- Legal action / proceedings will be costly.

Mitigation Measures

- Established dedicated department to manage integrity matters.
- Appointed 1 Certified Integrity Officer (CeIO) and sending 2 additional employees for the CeIO course to monitor potential corruption risk, conduct investigation and reporting.
- Established whistleblowing channels for reporting on corruption.
- Obtained ISO37001:2016 Anti Bribery Management Systems (ABMS) certification for Logistics & Distribution, Manufacturing and Research Divisions.
- Established Anti-Corruption Policy for Pharmaniaga Group.

Results of Mitigation Measures

No fines or any other related actions taken (e.g. charged for offences under MACC Act, freeze order by MACC, etc.) or suspension of licences/permits by relevant authorities.

Impact

Capitals F H S

Strategic Pillars

Stakeholders

Material Matters M1 M5

OUR STRATEGIC PROGRESS

VISION 525 STRATEGIC FRAMEWORK

Pharmaniaga's Board of Directors introduced Vision 525 in 2023 as a short-term strategic framework (FY2023-2025) to realign our efforts to rejuvenate the Group in the face of challenges posed by its current financial situation.

Underpinning the vision is the Five Strategic Pillars which emphasises a "back to basics" ethos, prioritising its core businesses and resources. The prime focus is on the five key responsibility areas (KRAs) to ensure Pharmaniaga gets back on track by 2025, hence the name Vision 525.

The key priorities are streamlining operations, enhancing productivity and efficiencies, leveraging synergies within core business, and re-prioritising investment strategies for sustainable growth.

This initiative reflects our commitment to disciplined decision-making, prudent investments, and strategic partnerships that are aligned with our core objectives. The goal is to maximise our competitive advantage and deliver superior value to stakeholders.

It also symbolises our dedication to delivering excellence and creating long-term value amidst the challenges posed by being in the current financial situation, and marks a transformative journey towards sustained success and prosperity.

Vision 525 moves on from the 7 Focus Strategies launched in 2021 to guide the Group's direction in tackling the challenges and opportunities presented by the COVID-19 pandemic. Under this strategic framework, the Group achieved various successful milestones, including:

- **Securing a seven-year concession for logistics services to deliver pharmaceutical and non-pharmaceutical products to the Ministry of Health until 30 June 2030;**
- **Pharmaniaga becoming the first company in Malaysia to successfully fill-finish manufacture a vaccine, delivering over 20 million doses of Sinovac CoronaVac vaccines to the government during the pandemic as part of the National Immunisation Programme (NIP). This has solidified the foundation for the Group to continue its focus on developing its Biopharma capabilities;**
- **Successfully registered 29 in-house generic products and 18 third party products from FY2021 to FY2023;**
- **Pharmaniaga achieving record-high revenue in 2021 at RM4.8 billion and profit before zakat and taxation (PBT) at RM277.1 million amid the successful commercialisation of the COVID-19 vaccines; and**
- **Growing its Indonesia business from RM893 million in 2021 to RM1.05 billion in 2023 (CAGR: 8.2%).**

While these accomplishments underscore Pharmaniaga's ability to adapt and innovate, the PN17 classification limited the Group's resources to continue its expansion mode, hence necessitating a reassessment of the strategic approach.

VISION 525

5 KRAs to get back on-track by 2025

STRENGTHENING PUBLIC SECTOR BUSINESS	BUILDING BIOPHARMACEUTICAL CAPABILITY	OPTIMISING COST AGGRESSIVELY	GROWING THE PRIVATE MARKET	REINVENTING INDONESIA BUSINESS
• Secure sustainable growth through concession business • Increase product portfolio through strategic sourcing initiative	• Accelerate launch of high-value biologics • Expand network & medico-marketing initiatives	• Consolidate central warehouse • Enhance new product development (NPD) process • Rationalise & optimise SKUs at plant	• Strengthen in-licensing business • Focus on first-to-market generics	• Acquire more principals & expand more branches • Enhance sales & marketing capabilities with stronger product portfolio

Accelerate Digitalisation & ESG

Reinforce Human Capital Development

STRENGTHENING PUBLIC SECTOR BUSINESS

2023 KEY INITIATIVES

- Secure sustainable growth through the concession business.
- Expand services to non-Ministry of Health (MOH) government entities.
- Grow the non-concession public sector business.

2023 ACHIEVEMENTS

- **Signed concession agreement** to provide logistics services to **MOH for the next 7 years until 30 June 2030**.
- **Successfully achieved 98.75%** of overall concession compliance rate for 2023, which comprise of 20 different KPIs set by MOH, demonstrating high quality of services.
- Despite recording lower revenue for Government non-concession business (RM639.2 million in 2022 versus RM597.1 million in 2023), the **gross profit has improved from RM25.7 million to RM30.0 million** (from 4.0% gross profit margin to 5.0%).

2024 PRIORITIES

- Leverage concession business for expansion by exploring other logistics and distribution (L&D) businesses through collaboration with strategic partners.
- Expand product portfolio through strategic sourcing & technology transfer.
- Replicate similar products under concession to be offered to non-MOH institutions.

IMPACT

Material Matters

M1 Business Continuity
M3 Customer Satisfaction
M4 Sustainable Products & Services

Capitals

F M I

Stakeholders

BUILDING BIOPHARMACEUTICAL CAPABILITY

2023 KEY INITIATIVES

- Complete the construction of vaccines and insulin halal manufacturing plants.
- Strengthen product portfolio with first-to-market strategy and biological drugs.
- Build vaccines formulation and bulk manufacturing capabilities through strategic partnerships.
- Market biopharmaceutical products as part of our growth strategy.

2023 ACHIEVEMENTS

- **Received grant offers** from the **Ministry of Science, Technology and Innovation (MOSTI)** for two projects:
  i. Hexavalent Vaccine Development Containing Novel Acellular Pertussis & Inactivated Polio Antigens.
  ii. Development and Technology Transfer for Malaysia's First Pneumococcal Conjugated Vaccine.
- **Launched biopharmaceutical product, SKYVaricella**, in March 2023.
- **Current biopharma product portfolio** includes Pneumosil, EuvaxB and SKYVaricella, which **contributes to about RM6 million in sales**.

2024 PRIORITIES

- Focus on high value products (new, niche and high barrier to entry).
- Trusted partner for the Malaysian Vaccine Development Project Management Office under MOSTI.
- Establish strong partnerships with renowned multinational companies as biopharmaceutical principals, and local institutions for clinical studies.
- Explore innovative ways to develop product portfolio in a shorter timeframe through strategic collaboration.
- Accelerate launch of biologics to support the NIP.

IMPACT

Material Matters

M1 Business Continuity
M2 Technology & Innovation
M3 Customer Satisfaction
M4 Sustainable Products & Services
M9 Talent Management

Capitals

F M I H

Stakeholders

OPTIMISING COST AGGRESIVELY

2023 KEY INITIATIVES

- Optimisation / efficiency initiatives for manufacturing sites.
- Optimisation / efficiency initiatives for logistics operations.
- Relook into private sector product pricing.
- Overall group cost optimisation.

2023 ACHIEVEMENTS

- **Pilot implementation of e-labelling** in all manufacturing plants. **Full implementation in 2024** with potential cost-saving of **RM1.2 million savings per annum**.
- **Reduction of 8.5% on average of cost of goods sold at manufacturing plants** through 55 active projects and cost control tactics.
- **Cost reduction of RM1.1 million** by implementing the **cross-docking method effectively in our warehouses**.
- **Capacity growth** at the Northern distribution centres **increased local deliveries** and **cut transport costs** for Sales & Distribution **at 0.9%**.

2024 PRIORITIES

- Continuous cost optimisation efforts across all divisions.
- Consolidation of warehouses in central region to optimise costs (long-term).
- Enhancement of product development processes and cost efficiencies.
- Rationalisation and optimisation of SKUs at our manufacturing plants.

IMPACT

Material Matters

M1 Business Continuity
M4 Sustainable Products & Services

Capitals

F M H

Stakeholders

GROWING THE PRIVATE MARKET

2023 KEY INITIATIVES

- Capture market share through robust product portfolio marketing within focused TA.
- Focus on first-to-market generics.
- Strengthening the in-licensing business.
- Marketing our products through evidence-based branding.

2023 ACHIEVEMENTS

- **Launched 11 new products** including Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj.
- **Conducted more than 150** engagements via symposiums, seminars and conferences.
- **Sales in private sector** increased from RM164.3 million (2022) to **RM172.1 million in 2023**, a rise of 4.7%.

2024 PRIORITIES

- Early launches to drive growth of focus therapeutic areas including cardiovascular, diabetes, pain management and respiratory (8 products targeted for approved registration in 2024).
- Focus on marketing through science and data.
- Penetration into the private hospitals chain.
- Expand in-licensing business through strategic partnership.

IMPACT

Material Matters

M1 Business Continuity
M2 Technology & Innovation
M4 Sustainable Products & Services

Capitals

F M I

Stakeholders

REINVENTING INDONESIA BUSINESS

2023 KEY INITIATIVES

- Expand L&D coverage through branch expansion.
- Product positioning of PTE to penetrate different market segments.
- Transfer products from Malaysia.

2023 ACHIEVEMENTS

- **Branch expansion in two locations** i.e. Mataram (West Nusa Tenggara) and Purwakarta (West Java) was completed in Q4 2023.
- **Signed up partnerships with new principals** to diversify product range, i.e. cosmetics, consumer goods, etc.
- Successfully **launched an All-In-One pharmacy management system (OLIN)**.
- **High level engagement with healthcare professionals** through clinic projects and coverage of general practitioners doctors **to market in-house products**.

2024 PRIORITIES

- Strengthen the commercial team in Indonesia to boost sales and marketing of in-house products, particularly high-margin branded generics.
- Transfer and register more products from Malaysia to Indonesia through in-house technology transfer.
- Continuous improvements in operations to enhance cost optimisation efforts.
- Expansion of two more branches in 2024 to acquire more principals and cover a larger footprint.

IMPACT

Material Matters

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Capitals

F M H

Stakeholders

MANUFACTURING

World-class Halal-compliant Manufacturing Facilities

WHAT WE DO

Our Manufacturing Division is integral to Pharmaniaga's mission to deliver quality products and superior services as the preferred pharmaceutical brand in Malaysia and the region. Producing a diverse range of pharmaceuticals and biopharmaceuticals, our facilities include four advanced manufacturing plants spread across Malaysia and one in Indonesia, with capacity and technology to produce a range of dosage forms from tablets, capsules and powders to liquids, creams and small-volume injections.

- Pharmaniaga Manufacturing Bhd (PMB), Bangi, Selangor
- Pharmaniaga LifeScience Sdn Bhd (PLS), Puchong, Selangor
- Idaman Pharma Manufacturing Sdn Bhd, Sungai Petani (IPMSB SP), Kedah
- Idaman Pharma Manufacturing Sdn Bhd, Seri Iskandar (IPMSB SI), Perak
- PT Errita Pharma (Errita), Bandung, Indonesia

The manufacturing plants under the Division are compliant with international Good Manufacturing Practice (GMP) and quality standards. This includes adherence to Pharmaceutical Inspection Co-operation Scheme (PIC/S) GMP certified by the National Pharmaceutical Regulatory Agency (NPRA) for our facilities in Malaysia. Our plant at Indonesia is also compliant with the PIC/S GMP issued by Badan Pengawas Obat dan Makanan (BPOM), Indonesia. Additionally, Pharmaniaga LifeScience is also certified by EU GMP (Infarmed, Portugal).

In line with the Group's focus on resilience and resurgence, we are expanding our biopharmaceutical capabilities to include pre-filled syringe (PFS) and cartridge dosage forms as well as developing expertise for the manufacture of vaccines, insulin and biosimilars. This strategic initiative will help establish Pharmaniaga as a regional biopharmaceutical player, while developing alternate streams of income to support financial performance.

BUSINESS ENVIRONMENT

Malaysia in the endemic phase saw a steady recovery for the pharmaceutical industry, with increased spending in the private sector for originator drugs driven by stable household income, rising health awareness and faster-than-projected population ageing. In addition, a robust recovery was seen in the medical tourism segment, with a pick-up in international patient visits drawn by Malaysia's regulated fee structure, cost-effective treatments and low language barriers.

Coupled with renewed interest in healthcare post-pandemic, a growth trajectory is projected for pharmaceuticals overall, with Malaysia outpacing global trends. This comes despite bottom line challenges associated with current external reference pricing (ERP) measures, which benchmark local prices against equivalent products in markets overseas.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Accelerating business growth	• Expanded product portfolio • Expansion of the international business segment • Expanded manufacturing capabilities	• 8 new product registrations have been submitted to NPRA for evaluation • Commissioning of new PFS line at PLS
Sustaining and increasing profitability	• Increased capacity to support growth in Government and private market • Reduced cost of goods sold (COGS) via Lean Manufacturing • Achieved competitive pricing for raw materials and packaging materials	• New liquid filling line at IPMSB SP & PMB • Awarded 20 additional products under APPL scheme • Reduction of COGS for top products • Completed pilot e-labelling initiative to reduce usage of physical product information leaflets

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Continuous improvement and operational excellence	• Improved efficiency and cost optimisation • Pharma 4.0 • Accelerated sustainability programme	• Line efficiency improvement resulting in enhanced operational equipment effectiveness (OEE) • Implementation of online paperless solutions such e-SOP, e-Gate Pass, E-Attendance, Power BI & Qlik Sense dashboards and online OEE monitoring for packing lines • Energy consumption savings for Malaysian plants

KEY ACHIEVEMENTS

New liquid filling line at
IPMSB SP & PMB

Line efficiency improvement resulting in
20%
enhanced OEE from baseline

Reduction of
8.5%
on average for COGS for top products

Implementation of cost containment measures throughout the Manufacturing Division amounting to
RM4.1 million

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Increase in price of raw materials from overseas due to depreciation of ringgit	• Sourced alternate suppliers who can provide goods with equivalent quality at cheaper price • Prioritised local sourcing	• More than 10 new suppliers identified, locally and internationally
Entry of new manufacturers resulting in shrinking market share	• Ventured into manufacturing of vaccines, insulin and biosimilar products	• Completion of vaccine and insulin manufacturing facilities

OUTLOOK

We believe that mid-term and long-term prospects for Pharmaniaga's core manufacturing business remain buoyant, despite global headwinds from geopolitical tensions, ERP pressures on margins closer to home, and the Group's current financial situation.

Aside from macroeconomic factors such as rising affluence, renewed healthcare spending and inelastic demand trends in the industry, the launch of Malaysia's New Industrial Master Plan 2030 is set to promote the integration of value chains towards enhanced local production of biologics such as vaccines, insulin and biosimilars among others.

Our Manufacturing Division is well-positioned to benefit from this national drive to explore synergies between complementary sectors, given Pharmaniaga's presence across the pharmaceutical value chain as well as its strategic investments into the onshoring of vaccines, insulin and biosimilars production over the years.

The Division will continue its cost optimisation and value engineering initiatives, building on improvements in OEE, COGS and overall energy savings in 2023. These complemented a productive year for the Division, with 20 additional new products in the Approved Product Purchase List (APPL) range, seven products certified halal by Department of Islamic Development Malaysia (JAKIM), and three pharmaceutical products commercialised – Xynoz, Levozal and SKYVaricella.

Cognisant of slower growth for generic drugs as well as uptake challenges due to brand loyalty, we adopt a market-driven approach. Products will be developed, registered and manufactured based on demand, taking into account requests from government, private, international and contract manufacturing sources.

Looking ahead, we will continue upholding Pharmaniaga's commitment to delivering quality products and superior services at competitive price points for our customers.

LOGISTICS AND DISTRIBUTION

Extensive Logistics and Distribution Network across Malaysia

WHAT WE DO

Building on a track record of more than 29 years in supply chain solutions, our Logistics & Distribution Division specialises in the distribution of pharmaceutical and healthcare products to public and private hospitals, clinics and healthcare facilities.

Established to ensure a seamless flow of critical medical supplies to the nation, it has evolved into a trusted partner for healthcare providers, pharmaceutical manufacturers, and other stakeholders in the healthcare ecosystem.

The Division manages the sale, marketing and distribution of Pharmaniaga's product portfolio, ranging from pharmaceuticals, medical devices and dental products, to Government and private healthcare establishments.

BUSINESS ENVIRONMENT

Tasked by the Ministry of Health (MOH) with the procurement, storage, supply and delivery of medical and healthcare products to MOH-operated healthcare facilities via our subsidiary Pharmaniaga Logistics Sdn Bhd, our concession agreement with MOH was renewed for seven years, retrospectively effective from July 2023.The agreement was signed on 3 January 2024.

Recognising the need to grow capacity in line with rising business volume, we aggressively grew our warehouse capacity, increasing storage in our central distribution centre for the private market. As part of our concession renewal with MOH, we are also planning to launch satellite distribution centres in strategic locations across Malaysia, covering Northern and East Coast Peninsular Malaysia, as well as East Sabah and East Sarawak. These initiatives will facilitate the growth of Pharmaniaga's concession and private business activities in the mid-term.

While driving our business forward, we implemented value engineering strategies, including cost analysis and supply chain optimisation in order to enhance resilience and navigate short-term financing gaps. The resulting cost reduction in selling and distribution expenses contributed to the Division's continuing profitability in 2023.

CONCESSION

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Securing renewal of MOH concession	• Articulated performance track record and capabilities	• Achieved 98.75% compliance with MOH performance standards for provision of medicine and medical supplies • Scored 4.50 on customer satisfaction survey for the Division
Growing private market presence	• Penetrated private healthcare market to develop trust in our Non-Concession capabilities	• Promoted our Warehouse & Distribution (W&D) services to potential principals by leveraging our comprehensive logistics network & satellite DCs • Secured 4 principals
Enhancing operational efficiencies	• Promoted and extended ongoing collaborations with academia/ research bodies to improve our business processes	• Undertook Phase 2 of algorithm development for product auto sampling based on text recognition, image matching for sampling exercise, object-oriented programming (OOP) sample submission and tender sample exercise • Collaborated with UTM KL to develop a supply chain management system with artificial intelligence (AI) for predictive stock forecasting, stock holding and pallet capacity planning
Accelerating Fourth Industrial Revolution (4IR) technology innovation and automation	• Implemented Robotic Processing Automation (RPA) as an Internet of Things initiative	• Deployed autoboots in data integration of product activation/deactivation codes in ePerolehan
	• Implemented operational dashboards on cloud network	• Developed more operational dashboards as tools to monitor performance and efficiency using Power BI

KEY ACHIEVEMENTS

Recorded **RM1.58 billion** Concession sales

Attained **98.75%** compliance with MOH performance standards

Achieved **RM254.1 million** in-house products contribution to concession sales

Expanded central distribution centre for the private market with capacity up to **4,395** pallets

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Impact of current financial situation on infrastructure investment and system upgrades	• Initiated a comprehensive cost-cutting initiatives, identified areas of excess to free up capital	• Cost reduction on Selling & Distribution (S&D) of RM2.4 million for the Division
Pressure from upfront investments on short-term profitability	• Conducted a detailed cost analysis to identify areas where cost reductions can be achieved without compromising service quality	

NON-CONCESSION

Our Sales & Marketing activities are focused on Pharmaniaga's generic pharmaceuticals, dental products and medical devices either in local government and private sector markets for Pharmaniaga.

BUSINESS PERFORMANCE REVIEW

Key Priorities	Key Initiatives	Achievements
Expanding and growing generic pharmaceutical portfolio in focused therapy ranges, namely cardiovascular, diabetes, anti-infectives, pain management and respiratory products	• Launched new products in focused therapeutic categories to grow business portfolio	• Positioned market-leading brands in all five focused therapeutic categories • Rabirox, a pain management product, captured over 30% market share within two years of launch
Expanding into new business areas with vaccines, insulin and ophthalmological products	• Engaged key opinion leaders for new business growth areas	• Attained market penetration of over 500 paediatric specialists with Pneumosil, our first private market vaccine
Expanding product portfolio with new launches	• Accelerated business development with new product introductions and launches	• Launched new products such as Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj
Developing integrated marketing channels and digital platforms	• Undertook digitalisation and automation initiatives • Deepened customer engagement and relationships • Introduced value added service and products, such as educational and loyalty platforms	• Conducted more than 150 engagements such as symposiums, seminars and conferences

KEY ACHIEVEMENTS

Recorded sales at
RM773 million

Achieved operating profit of
RM12.2 million
through growth in the private market and higher product margin

Attained market penetration of over
500 paediatric specialists with Pneumosil, the Group's first private market vaccine

Launched numerous products such as Pregabalin 75mg & 150mg, Metformin, Entecavir, Azithromycin inj, Enalapril and Omeprazole inj

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Fewer new launches developed in-house	• Launched new products in key areas such as vaccines and cardiovascular, diabetes and pain management products	• Visible growth recorded in key therapy areas
Capabilities in digitalisation and automation tool	• Arranged sales force effectiveness (SFE) training sessions to enhance digitalisation and automation tool expertise	• Completed SFE training to prepare for the incoming automation tool
Financial challenges due to current financial situation	• Negotiated for extended temporary credit period from key suppliers • Increased effort to sell existing stocks • Minimised operating expenditure by reducing big campaigns activity	• Increased sales and profits in private and Non-concession business

OUTLOOK

The renewal of our concession with MOH for seven years is a testament to Pharmaniaga's commitment to delivering quality products, services and value to our customers, partners and stakeholders. Moving forward, we seek to further grow our non-concession business by leveraging on our warehouse and distribution network as well as strategic partnerships, to uphold our role in building a healthy nation.

Looking ahead, we believe in the potential applications of artificial intelligence (AI) and machine learning in demand and stock forecasting, as well as storage and capacity planning, towards enhancing operational efficiency and optimising supply chains. We continue to foster collaborations with academic and research institutes in developing these capabilities, ensuring the Group's resilience and future growth.

The Group's expansion into the private sector continues apace with encouraging take-up of our vaccine, insulin and blood products for the private market. We will capitalise this momentum with new vaccine launches and products in our focus therapy areas, especially on penetrating private hospital chains through science and data mining marketing.

INDONESIA OPERATIONS

Strong Presence with 35 Distribution and Logistics Branches, and General and Penicillin Pharmaceutical Plants

WHAT WE DO

Pharmaniaga's foothold in the Indonesia market is spearheaded by the Group's subsidiaries: PT Errita Pharma (Errita), comprising our manufacturing operations in Bandung; and PT Millennium Pharmacon International Tbk (MPI), tasked with sale and distribution activities in Indonesia. Established in 1973, Errita produces over 60 generic pharmaceuticals as well as over-the-counter (OTC) products, in compliance with Good Manufacturing Practices (CPOB), ISO 9001:2015 and ISO 14001:2015 standards.

MPI is a public listed company on the Indonesia Stock Exchange with 35 distribution and logistics branches nationwide. It serves over 30 principals across Indonesia, including Errita, providing more than 4,150 different products to over 25,000 customers nationwide. MPI specialises in the sale and distribution of ethical drugs, OTC products, medical devices and health-related consumer goods.

BUSINESS ENVIRONMENT

As the largest pharmaceutical market in Southeast Asia, Indonesia remains a key focus for Pharmaniaga. Key growth factors include a growing middle class and increasing health awareness, as well as improving access to healthcare driven by infrastructure investments and prevalent digital e-commerce platforms.

Specific challenges include significant market fragmentation, with more than 2,400 distribution players and over 200 pharmaceutical manufacturing companies. In expanding our operations, we favoured an aggressive growth strategy, with high engagement of healthcare professionals to market in-house products, coupled with product portfolio and warehouse expansion as well as digitalisation initiatives. This saw the onboarding of new principals and healthy financial performance in 2023, including a 5% increase in revenue for our Logistics & Distribution operations.

BUSINESS PERFORMANCE REVIEW

Manufacturing

Key Priorities	Key Initiatives	Achievements
Establishing standing as a leading generic brand pharmaceutical manufacturer	• Built credibility with regulatory authorities and consumers	• Received Nomor Ijin Edar (NIE) for five products from Badan Pengawasan Obat dan Makanan (BPOM)
Driving business growth and growing market share across Indonesia	• Expanded product portfolio with the launch of three new products	• Achieved sales of IDR 1.5 milyar for the three newly launched products despite disruption to syrup products supply

Logistics and Distribution

Key Priorities	Key Initiatives	Achievements
Enhancing sales reach	• Onboarded new principals	• Grew our revenue by 5%, despite stiff market competition
	• Expansion of new branches • Expanded warehouse capacity at several branches	• Two new branches completed, in Purwakarta and Mataram • Increased availability of products at branches in Banda Aceh, Palembang, Samarinda, Tasikmalaya, Purwokerto and Surabaya
Improving operational efficiency	• Enhanced sale and distribution processes with integrated digital platform	• Launched All-In-One pharmacy management system called OLIN
	• Stock optimisation exercise	• Maintained stock-holding below 60 days

KEY ACHIEVEMENTS

Errita launched three products and received NIE for five products by BPOM

MPI grew its revenue by 5% despite stiff competition, driven by the onboarding of new principals/suppliers with potential revenue contribution of IDR150 milyar annually

CHALLENGES & RISKS

Challenges	Mitigating Actions	Results
Fixed and low distribution margins	• Held continuous discussions with existing principals/suppliers • Practised selectivity when collaborating with new principals/ suppliers	• Reached agreements with selected principals/ suppliers
Stiff market competition	• Closely managed discounts distributed to customers	• Achieved win-win resolutions between MPI and selected customers
Mandatory annual increase in Regional Minimum Salary (UMP) up to 7%	• Engaged in cost reduction initiatives and business operational efficiency enhancement	• Maintained manageable and controllable operating expenditure (OPEX) in line with increase in sales volume
Sales and marketing capabilities	• Established stronger marketing team	• 20 new medical representatives appointed to bolster the sales and marketing team

OUTLOOK

Indonesia remains a key priority for the Group moving forward, with stable growth projections for the market buoyed by rising private spending and fixed investment. Demand for our product portfolio is expected to remain strong in 2024, driven by affluent middle class and improving accessibility to healthcare and pharmaceuticals, including the country's national health insurance system as well as online platforms.

We aim to build on the robust momentum of our Indonesia operations, as seen in their healthy financial performance in 2023, with a continued growth strategy. These include the establishment of a marketing team, the registration of products from Malaysia through knowledge transfer, ongoing cost optimisation as well as branch expansion.

Errita's launch of three new products and NIE issuance for five products in 2023 set an encouraging precedent for future product development, with strengthening compliance fostering a sense of trust with both consumers and regulatory authorities. The expansion of MPI's principal base marks a new chapter for the company, further expanding its product portfolio and positioning the Group to meet the evolving needs of the country's huge and diverse customer base.

SUSTAINABILITY STATEMENT

At Pharmaniaga, we recognise that our business and operational activities can exert significant impacts on both society and the environment. We understand that our aspiration to become the leading company in the pharmaceutical industry can only be fulfilled if we deliver an excellent sustainability performance.

We have adopted a holistic approach to our sustainability efforts to ensure that the impacts of our actions on our stakeholders are considered in all our business decisions. We intend to leverage our expertise and resources to maintain the robustness of our operations. We will collaborate with our stakeholders and empower them to maximise our collective capabilities. Through this collaboration, we can develop and execute innovative solutions that promote more efficient consumption of raw materials, energy, and water. This strategy will enable us to heed the urgent global call for enhanced sustainability and contribute to addressing present environmental and social issues.

We welcome feedback, comments and suggestions for improvement on our Report. Please send your enquiries to:

Fazleena Jasin
Head of Sustainability
Tel : +603-3342 9999
E-mail : **sustainability@pharmaniaga.com**

FY2023 SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

Recorded **10.56 tCO_2e/** RM Million **GHG Emission Intensity** compared with the 13.30 tCO_2e/RM Million 2019 baseline

29.15% increase in **general waste recycling** against the 2022 performance data

749.50 GJ generated from **solar energy** with **cost savings of RM233,654.32**

229.44 tonnes of **recycled input material** were utilised in the manufacturing process

Transformed 4.629 tonnes of **hazardous waste** into alternative raw materials for the cement industry with a cost savings of RM9,738.92

As at December 2023, **8.71 Megalitres** of water were **recycled** and **0.22 Megalitres** of **rainwater** were **harvested**

Our electric vehicles have consumed **9,437.48 kWh of electricity**, resulting in the generation of 7.1536 tCO_2e

Continue the **climate-related risk report** by adopting the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**

SOCIAL

FEMALE COMPOSITION

Senior Management
25.9%

Middle Management
34.8%

Executive
62.6%

Non-Executive
32.4%

99.7%
Local Employees

Average of **23 training hours** per employee

ZERO
workplace fatalities

ZERO Non-compliance cases related to employment, labour practices or human rights violations

80.2% of the **procurement budget** spent on **local suppliers**

Received the **Gold Class 1 Award** at the Malaysian Society for Occupational Safety and Health (MSOSH) Award 2023

Recognised as the **second prize recipient** in the **Healthcare Equipment Graduate Choice category** at the 2024 Graduates' Choice of Employers Award

GOVERNANCE & ECONOMY

CUSTOMER SATISFACTION

Ministry of Health
97%

Ministry of Higher Education
97%

Launched **11 new products** in the local market

7 in-house developed products approved mainly in antibiotics, antiviral and Central Nervous System drug categories

Managed the **MS ISO 37001:2006 Anti-Bribery Management System (ABMS)** for all manufacturing sites, R&D and Logistics distribution.

Concession business extended for the next **7 years**

7 new successfully **Halal certified pharmaceutical products**, bringing the total to 191 products

Invited as a panel to develop a guideline for Malaysia Halal pharmaceuticals certification

All suppliers are **being assessed** for social and environmental criteria

Maintained the **ISO/IEC 27001: 2013 Information Security Management System**

DIRA Roadshow conducted at **9 sites** (manufacturing, R&D, logistics and distribution) focus on **Integrity, Anti-corruption and ESG**

OUR APPROACH TO SUSTAINABILITY

Our sustainability approach encompasses the implementation of a comprehensive set of policies, guiding our daily operations and activities towards sustainable business growth and responsible conduct. Led by the Group's Sustainability Policy, these policies provide specific guidelines in economic, environmental, social, and governance areas. We ensure the dissemination of these policies and guidelines through our intranet, internal communication platforms, and corporate website at **www.pharmaniaga.com**.

PHARMANIAGA'S SUSTAINABILITY POLICY TENETS

i. To continuously invest our resources in ensuring our products and services are relevant and meet the needs of our customers

ii. To be fully committed to environmentally friendly business practices towards the conservation and preservation of the environment

iii. To ensure that our employees operate in a safe and conducive work environment

iv. To continuously create and sustain an engaged work culture that attracts, retains, and motivates our employees

v. To strengthen communities and contribute towards the enrichment of our society by:
- Prioritising opportunities given to local businesses and;
- Integrating corporate responsibility initiatives that encompass healthcare education and welfare of Malaysians throughout our business operations

POLICIES AND GUIDELINES

ENVIRONMENTAL
- Environmental, Safety and Health Policy
- Environmental-related Policy
- Energy Policy

SOCIAL
- Contribution to External Party SOP
- Donation Policy

GOVERNANCE & ECONOMIC
- Corporate Governance Policy
- Code of Ethics and Conduct
- Vendor Code of Ethics Policy
- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Halal Policy
- Anti-Money Laundering Policy
- Gender Diversity Policy
- Gifting Policy
- Investor Relations Policy
- Sexual Harassment Policy
- Social Media Policy
- Workplace Bullying Policy
- Work from Home Policy
- Good Distribution Practice for Medical Devices
- Quality Policy
- Laboratory Policy
- Employment Policy

We communicate our policies and guidelines through our intranet, internal communication platforms, and corporate website at **www.pharmaniaga.com.**

SUSTAINABILITY ACHIEVEMENTS

FEB

10 FEBRUARY
Pharmaniaga relaunched its Do It Right Always (DIRA) initiative, a rebranding effort aimed at integrating ESG values into the company's work culture. DIRA Roadshows were conducted at all Pharmaniaga sites from May to October 2023 to effectively communicate the campaign.

JUN

16 JUN
Pharmaniaga launched the 'Adopt-a-tree' project to raise awareness about preserving nature for a sustainable future and to support the 100 Million Tree Planting Campaign implemented by the Ministry of Natural Resources, Environment and Climate Change (NRECC).

SEP

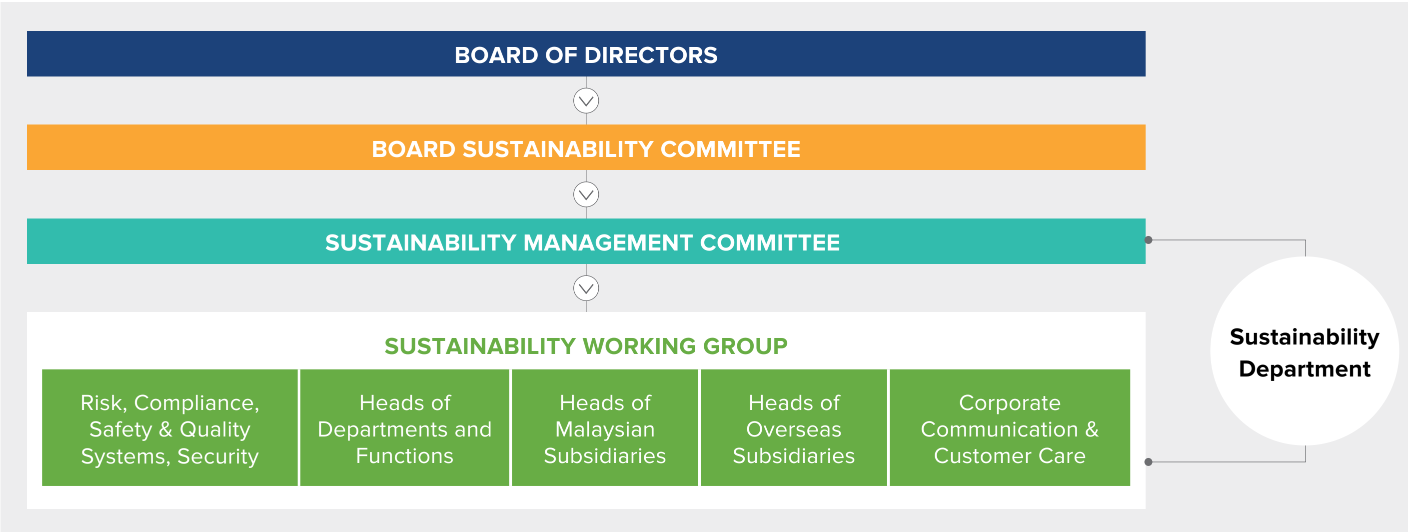
26 SEPTEMBER
PT Millennium Pharmacon International Tbk (MPI), a subsidiary of Pharmaniaga in Indonesia presents its Green Earth Initiative: Planting a Sustainable Future, by planting 1,000 robust mangrove trees in Tambakrejo, Semarang, Central Java.

DEC

13 DECEMBER
The proposal for PV Solar Panel Installation under a Solar Power Purchase Agreement for 6 sites has been approved with targets installation and commencement by 2024.

SUSTAINABILITY GOVERNANCE

At Pharmaniaga, sustainability is governed from the highest level of our organisational structure. In decision making, the Board of Directors (Board) is mainly aided by the Board Sustainability Committee (BSC). The Board exercises direct oversight over all sustainability matters, including the management of climate-related risks. Decisions are approved at the Board level before they are cascaded down to the Sustainability Management Committee (SMC), the Sustainability Department and the Sustainability Working Group (SWG) for the implementation of the authorised sustainability initiatives and programmes. The roles and responsibilities of each level of our sustainability governance are illustrated in the following infographics:



Board Sustainability Committee

The BSC assists the Board in performing its oversight responsibility over Pharmaniaga's sustainability objectives, policies, and practices.

- Recommend sustainability strategies, targets, policies and roadmap for the Board's approval.
- Review the effectiveness of the implemented sustainability strategies, targets, policies, and roadmaps.
- Assess the adequacy of resources allocated for achieving sustainability strategies, targets, policies and roadmaps.
- Advise the Board regarding the Company's risk appetite, tolerance, and strategy with respect to sustainability risks and ensure that potentially catastrophic sustainability risks are reflected in the Company's risk profile.
- Monitor the overall management of stakeholder engagement and its outcomes and confirm that mechanisms for sustainability-related grievances are in place.

The BSC regularly receives reports from the SMC on critical sustainability issues such as health, safety and environmental issues, including those obtained via grievance mechanisms. The BSC reviews and prepares the sustainability reporting for the Main Board.

Sustainability Management Committee

SMC, which consists of the top management team, develops the Group's sustainability strategies and policies and ensures that they are implemented consistently across all business segments and geographical locations. The heads of subsidiaries and heads of corporate systems must make sure that the sustainability of their respective unit is aligned with that of the Group. The SMC reports to the BSC as to the Group's sustainability status.

Sustainability Department

The Sustainability Department is the coordinating body between the SMC and the SWG. They evaluate the progress of the implemented sustainability initiatives and programmes against the set objectives and targets and report their findings to the SMC. They take charge of stakeholder engagement and assist in reviewing the Group's sustainability matters and reporting.

Sustainability Working Group

The SWG monitors the sustainability performances and identifies the areas in need of improvement. The risk management committee is responsible for identifying, assessing and mitigating any potential risks and opportunities associated with material matters.

They provide industry and regulatory updates. They interact directly with the stakeholders and address their needs across various channels of communication.

SUSTAINABILITY FRAMEWORK

This Sustainability Framework captures the essence of our approach to sustainability. It indicates our Sustainability Vision and Mission and our Sustainability Roadmap which guides our strategic direction. The framework also shows how our five sustainability goals are aligned with our 12 material matters, thereby demonstrating our more holistic approach in managing all our risks and opportunities related to sustainability and enabling us to enhance our Economic, Environmental, Social and Governance (EESG) performance.

Our framework is also aligned with the UN SDGs and the global sustainability agenda. To ensure the efficiency of our efforts, we have focused on specific UN SDGs. By aligning our initiatives with the prioritised SDGs, we are able to deliver on our commitments and push for an equitable future for all.

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

SUSTAINABILITY VISION

Spearheading accessible healthcare through dynamic growth

SUSTAINABILITY MISSION

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

SUSTAINABILITY ROADMAP

(2016 – 2020)
What we have achieved:

- Sustainability Policy rolled out to all subsidiaries
- Established sustainability governance structure
- Raised awareness on sustainability
- Established first materiality matrix
- Implemented the Pharmaniaga Sustainability Reporting Framework across the Group, based on the GRI Standards
- Enhanced transparency through publication of annual sustainability reports

(2021 – 2025)
What we want to achieve:

- Sustainability integrated in business strategy
- Sustainability performance is increasingly linked to executive remuneration
- Meet five-year sustainability targets set to drive performance in material sustainability areas
- Enhance credibility of sustainability disclosure
- Produce annual Integrated Reports

(2026 – 2030)
What we aspire to achieve:

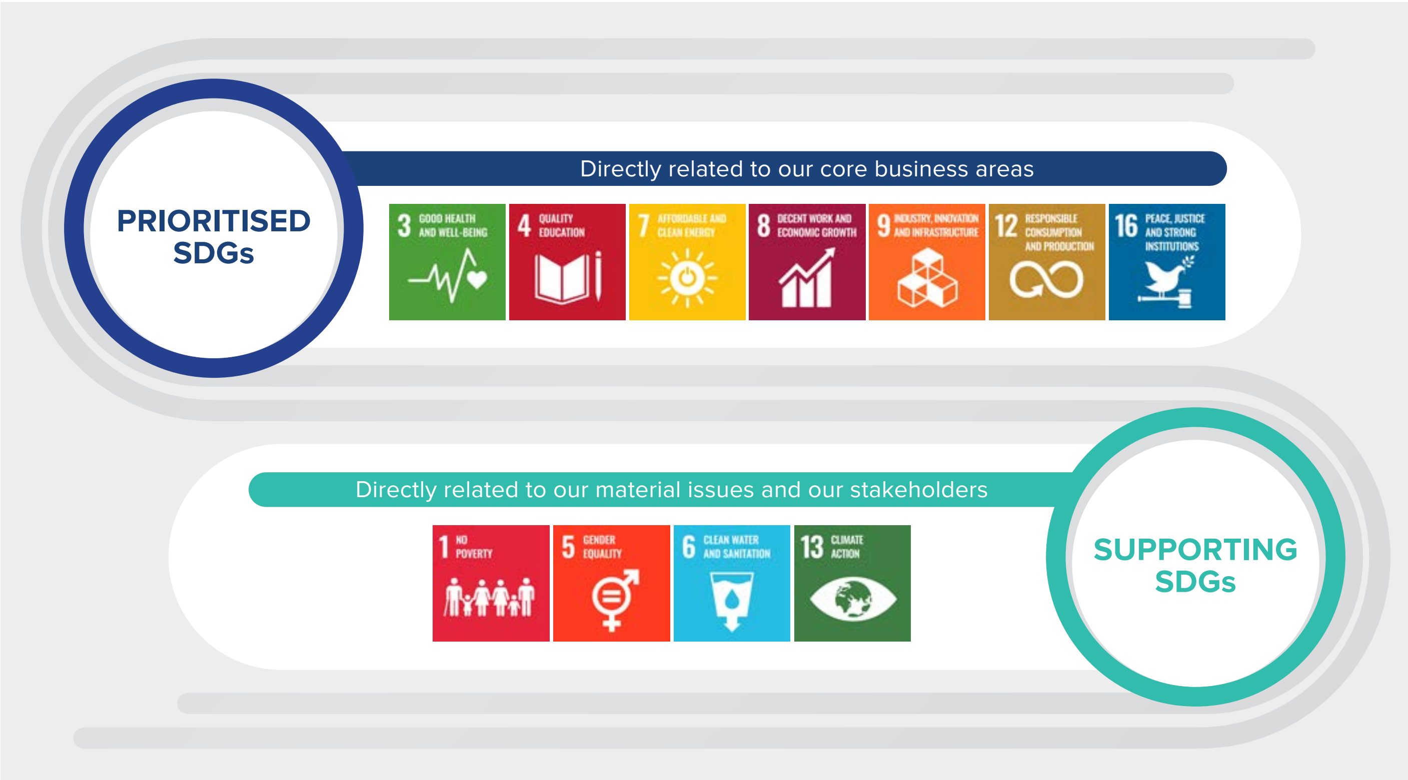
- Inculcate a culture of sustainability within the organisation
- Sustainability becomes integral to procurement process and supplier engagement
- Achieve five-year sustainability targets set
- Work in collaborative partnerships with third parties to support the fulfilment of the UNSDGs

SUSTAINABILITY GOALS

GOAL 1 Delivering Sustainable Value and Future-Proofing the Business	GOAL 2 Acting with Integrity	GOAL 3 Achieving Operational Eco-Efficiency	GOAL 4 Creating a Sustainable and High-Performance Workforce	GOAL 5 Building a Better Society
• Business Continuity • Technology & Innovation • Customer Satisfaction • Sustainable Products & Services	• Corporate Governance & Business Ethics	• Environmental Compliance • Resource Efficiency • Greenhouse Gas & Climate Change	• Talent Management • Health & Safety	• Supporting Local Businesses • Corporate Responsibility

KEY FOCUS AREAS

Driven Strategic Initiatives



SUSTAINABILITY PERFORMANCE

We consistently attempt to improve our material sustainability matters by benchmarking our progress and achievements against our Sustainability Goals and Key Focus Areas. By tracking our progress, we are able to achieve an enhanced level of performance in all sustainability matters that are significant to our organisation.

GOAL 1

DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

Economic and financial stability is a major determinant that a business organisation is delivering sustainable growth. Goal 1 is interlinked with our economic impacts and covers four material matters, four prioritised SDGs and three key risk indicators. Attaining Goal 1 ensures a sustainable financial future for our business and our stakeholders.

Material Matters :

- M1 Business Continuity
- M2 Technology & Innovation
- M3 Customer Satisfaction
- M4 Sustainable Products & Services

Key Risks:

- Business Risk
- Financial Risk
- Legal and Regulatory Risk

SDGs:

M1 BUSINESS CONTINUITY

We have adopted a business continuity standard and guidelines that allow us to establish a clear approach to respond, recover, resume and return to a normal situation in case we need to adapt in times of emergency or crisis. With this proactive approach, we can adequately identify and mitigate potential threats, disruptions, or unforeseen circumstances that may threaten our normal business operations.

We have established the Business Continuity Management (BCM) Policy and the BCP document to identify potential disruption risks and utilise appropriate strategies to ensure the organisation's resilience. The BCP document entails two analyses, namely, Risk Assessment (RA) to identify potential threats and undesired risk levels as well as Single Point of Failure (SPOF), and Business Impact Analysis (BIA) to establish Critical Business Functions (CBF) and minimum requirements for immediate resumption.

BUSINESS CONTINUITY MANAGEMENT (BCM)

Our Business Continuity Management (BCM) structure consists of the BCM Working Committee (BCMWC) and the Crisis Management Committee (CMC). This system is implemented across all business divisions.

The CMC functions as the steering committee for handling crises or disasters affecting the Group of Companies. They are responsible for overseeing the management of the Group's BCM plan and communicating the BCM Policy to all employees.

The BCMWC updates the CMC on BCM-related matters, risks and areas of concern. The Emergency Response Team (ERT) is the appointed team that deals with BCM activities related to physical emergencies at each site or branch level. The ERT consists of 4 sub-units, Fire Fighter, First Aider, Search & Rescue and Chemical Spillage.

All the identified staff with critical roles underwent internal technical and practical training on Crisis Management conducted by our Head of BCM who is a certified professional and Member of Business Continuity Institute (BCI), UK. We provide continuous awareness and sharing sessions on BCM to all our staff, in both Malaysia and Indonesia.

PHARMANIAGA BERHAD

CRISIS MANAGEMENT COMMITTEE (CMC)

BCM WORKING COMMITTEE (BCMWC)

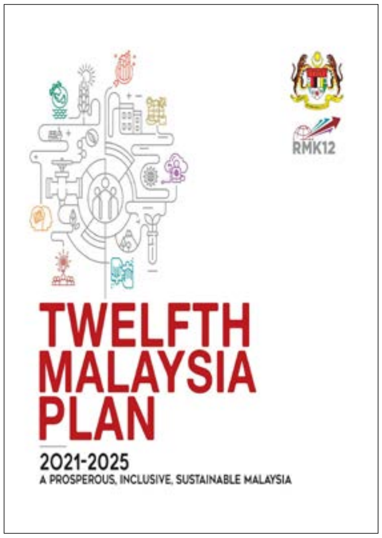
EMERGENCY RESPONSE TEAM (ERT)

No.	Program Title	Training Hours/ Program	No. of Participants	Total Manhours
1.	Business Continuity Management (BCM) Briefing	1	50	50
2.	Crisis Management Briefing	2	91	182
3.	BCM Workshop 2023	2	6	12
4.	Risk Management Procedure Briefing	2	114	228
5.	Business Continuity Plan Documentation Training & Workshop	8	32	256
	TOTAL		**293**	**728**

M2 TECHNOLOGY AND INNOVATION (TI)

Automation and digitalisation technologies, including artificial intelligence, are rapidly evolving and becoming increasingly powerful. Their widespread use has impacted our personal lives, the workplace, places of education and the environment. These technologies have become essential business tools for maintaining competitiveness and relevance. As such, it is listed as one of our material matters.

The shift towards digital technologies and automation will significantly impact our operation and accelerate innovation and development. In the 12th Malaysia Plan and the Fourth Industrial Policy, the government has decreed a national agenda to promote the high adoption of technology. In support, we have applied new or improved technologies, tools, systems, and processes to enhance our efficiency and drive progress. This advancement will create meaningful value for our stakeholders and our industry.



OUR PROGRESS

In the year under review, we have implemented the following to optimise our processes.

Automation in operation

The automation of online coding for the tube filling machine at IPMSB SP enhanced operational efficiency and precision in the manufacturing process.

Digitalisation in operation

ClickUp app across all quality control (QC) labs within the manufacturing division, fostering efficient collaboration and streamlined planning for laboratory activities.

Overall Equipment Efficiency (OEE)

The OEE has been updated across all anufacturing sites through the Power BI Dashboard to provide real-time monitoring and optimise equipment performance.

Paperless Initiatives

Moving towards a Paperless Office, initiatives were introduced, including Electronic Standard Operating Procedures (E-SOP), electronic gate passes and Electronic Inventory Purchase Requisitions (E-IPR) across all manufacturing sites including adoption of QR codes to track meeting attendance.

All-In-One Pharmacy Management System (OLIN)

Launched by MPI, Jakarta, OLIN is designed to assist pharmacies and drugstores in managing their day-to-day operations; featuring pharmacy inventory management, point-of-sales functionality, direct distributor purchasing and other business monitoring advantages.

Qlik Sense Integration

The integration of Qlik Sense with SAP data for the Manufacturing Division reporting and the introduction of the Power BI OEE Dashboard and Power BI Manufacturing Dashboard enhanced the company's ability to analyse and interpret data, fostering informed decision-making processes.

Operational Technology (OT) Network

Establishing a new OT network and server supports the Node Red software and Internet of Things (IoT) tools (sensor and gateway) for tracking machine efficiency, enabling real-time data integration, data analytics and connectivity.

E-Labelling

Details of Activities: In line with the National Pharmaceutical Regulatory Agency's initiative, we have started rolling out e-labelling. The QR code will improve the accessibility of medical information, encourage better patient care management, and disseminate information in an eco-friendly manner.

Outcomes/Achievements:

As at FYE 2023, 13 artwork variation submissions have been made to NPRA for all manufacturing sites in support of the initiative.

IT BLENDED LEARNING

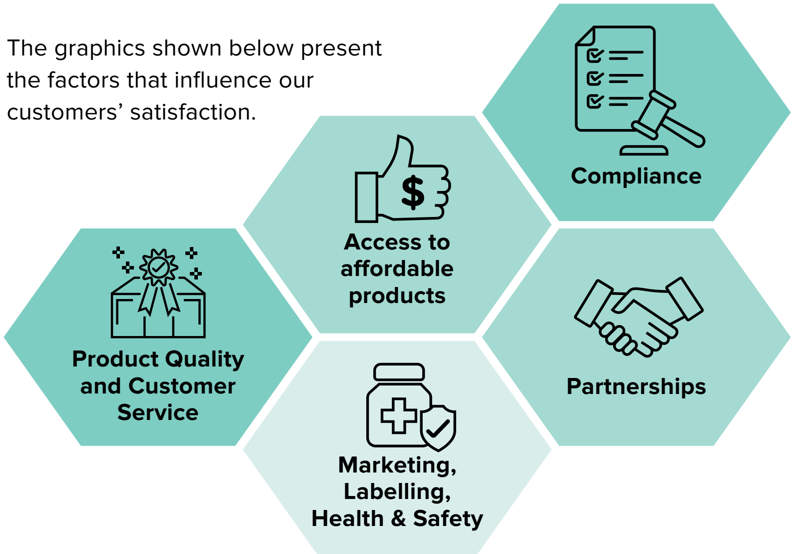
IT, technical and functional education at Pharmaniaga, is a blended learning approach combining physical and virtual elements, offering flexibility and customisation.

Virtual Training
KnowBe4 Security Awareness Training
Internet Security When You Work from Home
Social media: Staying Secure in a Connected World
Eight Ways to Strengthen and Secure Your Passwords Today!
Phishing Tips: What to Look Out For
Password Protection: Passwords, Multi-factor, Biometric
Phishing Tips: Suspicious Links
Monthly IT Awareness

M3 CUSTOMER SATISFACTION

Our customers' trust in us is mainly dependent on how they perceive our product quality and customer service. In general, customers are primarily concerned about accessibility to affordable products, product availability, and customer engagement services. However, in recent years, some consumers have also become increasingly concerned about environmental protection, community welfare, and governance. Our objective has always been to meet or even possibly exceed our customers' expectations. The head of the Corporate System, a member of the SMC, manages all the issues associated with customer relations and objectives. Under its umbrella is the Corporate Communications and Customer Care section, a member of the SWG.

The graphics shown below present the factors that influence our customers' satisfaction.



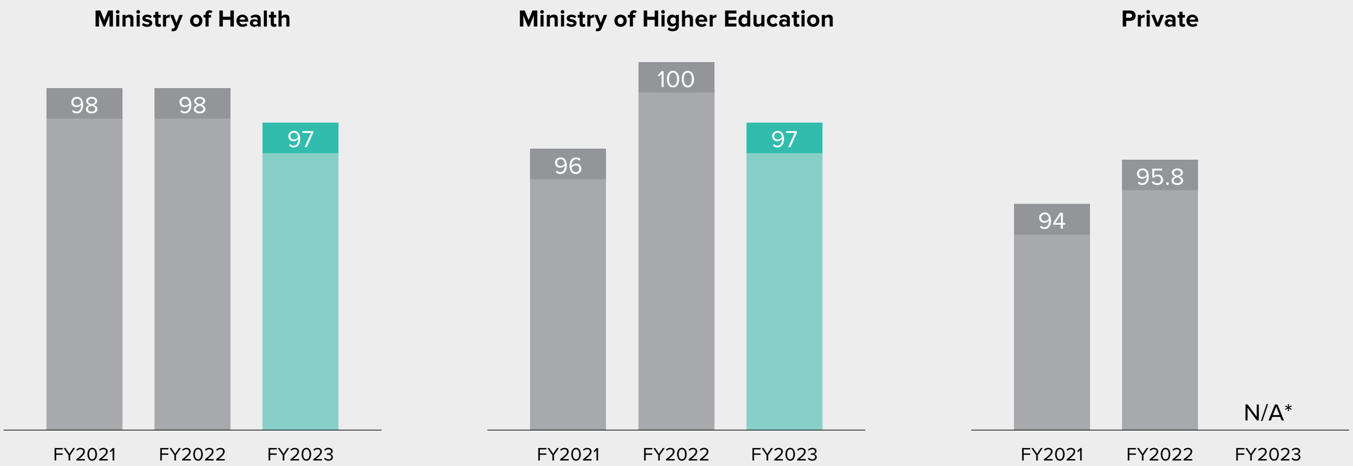
PRODUCT QUALITY AND CUSTOMER SERVICE

Our customers can rest assured that our products and services are reliable and compliant with various international and national standards and certifications. Specifically, we are certified with ISO 9001:2015 Quality Management Systems and ISO 18295-1:2017 Customer Contact Centres.

These certifications indicate that we consistently maintain excellent quality control, consumer protection, regulatory compliance, and continuous improvement, all of which are essential for keeping the high standards of our products and services.

The following shows our customer satisfaction survey results.

Customer Satisfaction Survey (%)



** Data is currently unavailable for the year under review.*

In the year under review, the satisfaction score has declined due to issues with the delivery factor. The Oracle Transportation and Global Trade Management (OTM), an automated delivery notification system for notifying customers of delivery status, did not work efficiently. Recognising the significance of this issue, the Customer Care Department collaborated with the Information Technology, Warehouse, and Distribution Departments to identify the problems and implement improvement measures. The enhanced system is expected to operate smoothly by the first quarter of 2024. Meanwhile, the Customer Care Department is updating the customer information to ensure timely and accurate notifications once the system is fully optimised.

Despite the challenges mentioned above, Pharmaniaga has attained an elevated Quality Product and Customer Service rating, underscoring our dedication to consistently deliver top-notch products with the utmost service excellence.

MARKETING, LABELLING & ADVERTISING PRACTICES

Pharmaniaga practises responsible and ethical marketing and advertising strategies. We help our consumers make better choices by emphasising the values of honesty, integrity, and transparency. We comply with the relevant legal requirements of the Medicine Advertisement Board Malaysia in the marketing and advertising of our products and services.

All advertisements are reviewed and approved by a dedicated team in accordance with standards, codes, quality control and documented procedures prior to their publication.

Ethics and Marketing Advertising Compliance Training

Number of Attendees

23

Number of Training Hours

2 hours

M4 SUSTAINABLE PRODUCTS AND SERVICES

By implementing an all-encompassing strategy, we are able to consider all EESG sustainability aspects. Our objective is to offer sustainable products and services that would enhance the people's standard of living, positively contribute to society, safeguard the health and safety of our stakeholders, and protect the environment.

ECONOMIC VALUE AND DISTRIBUTION

Goal 1 also aligns with our Economic Vision of "Achieving balanced business growth whilst providing access to affordable and quality medicines".

Our business growth induces direct and indirect economic impacts that generate value for our stakeholders and the countries where we operate. The table below shows our economic value is distributed to our employees, capital providers, the government, and the community:

FY2023 REVENUE: RM3.4 BILLION					
Direct Economic Value			Indirect Economic Value		
Employee Wages	Dividends	Taxes	Community Investment	Local Supplier Spending	Employee Training Expenditure
RM155.5 million	RM8.0 million	RM20.6 million	RM3.08 million and IDR2.02 million	RM1.5 billion (80.2%)	RM888,478

STRATEGIC DEVELOPMENT PLAN AND KEY INITIATIVES

On-Time Delivery Initiatives

Pharmaniaga extended the concession business for the next 7 years.

Below are the initiatives to ensure no disruption in tender supply and to avoid delivery issues:

Initiatives	Details of Activities	Outcomes/Achievements
Separation of Approved Purchased Procurement List (APPL) and non-APPL stocks at Distribution Centers	Separation of APPL items at Bukit Raja Warehouse and non-APPL items at Kudrat Warehouse.	Efficient inventory control ensures operations for APPL and non-APPL items are distributed effectively and accurately based on specific KPIs by each business segment.
Delivery of non-APPL products using small parcel distribution set up	Non-APPL products are distributed via small parcel distribution.	Expedited delivery services to private customers.
Expansion into a third-party logistics service provider	Offering storage spaces at Kudrat Warehouse to external companies as a third-party logistics service provider.	Effective utilisation of warehouse storage spaces and additional revenue from the service provided.

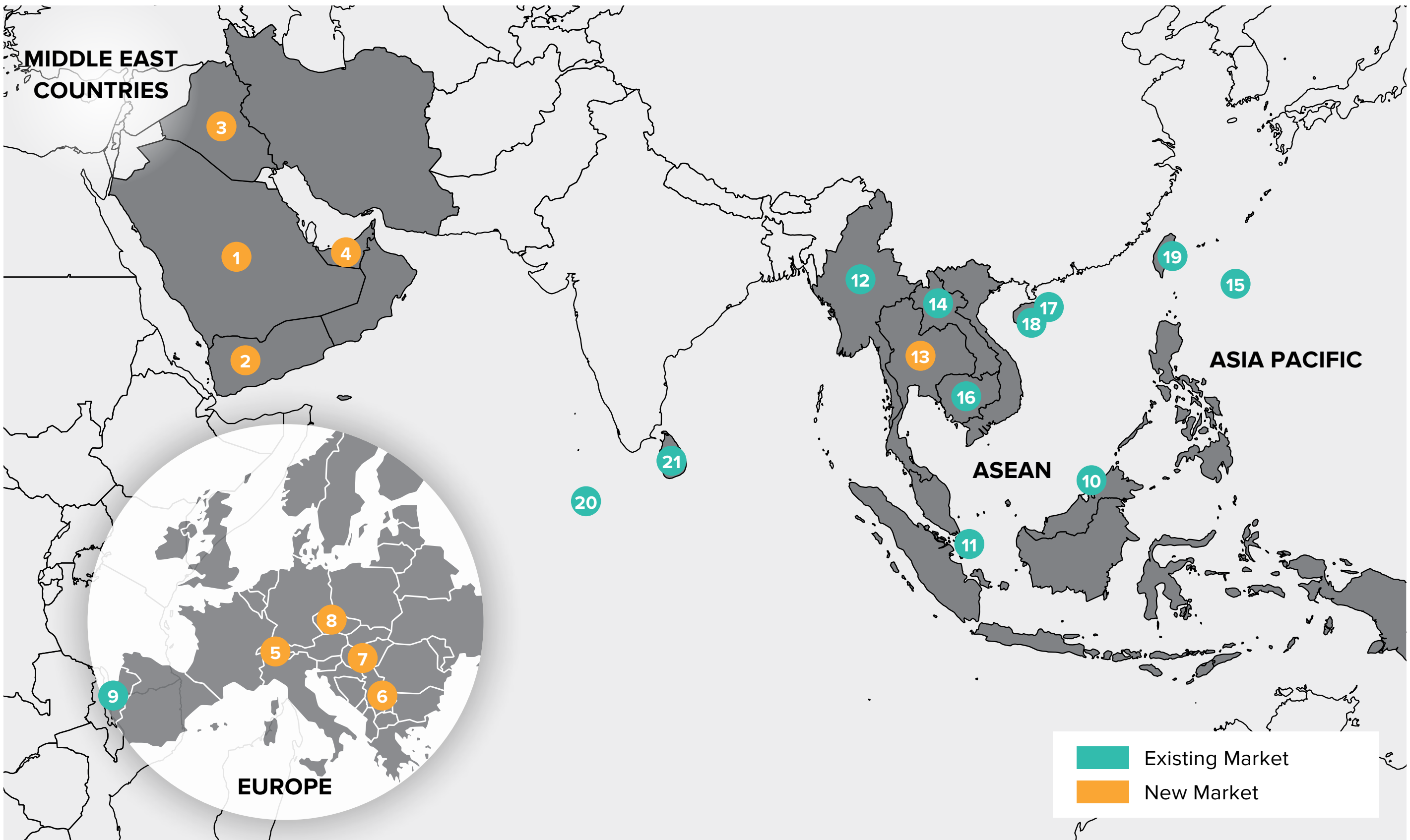
ACCESS TO MEDICINE (ATM) INITIATIVES

We consistently recognise that ATM is our moral obligation as a pharmaceutical company. Our strategy involves working in synergy with other pharmaceutical companies and collaborating with the government and non-governmental stakeholders.

The R&D expertise and capability are not feasible for less developed countries to manufacture on the necessary scale. Therefore, we believe that collaboration will contribute to ATM in Malaysia and provide urgently needed medicines to market on a large scale to the developing market countries of our focus. Additionally, the ATM strategy can contribute to potential long-term revenue, considering the number of developing countries needing affordable health care.

We have expanded the reach of our products to a wider range of consumers, including developing countries, as shown on the market presence map below.

INTERNATIONAL MARKET PRESENCE



MIDDLE EAST COUNTRIES

1. Saudi
2. Yemen
3. Iraq
4. UAE

EUROPE

5. Slovenia
6. Serbia
7. Hungary
8. Czech Republic
9. Portugal

ASEAN

10. Brunei
11. Singapore
12. Myanmar
13. Thailand
14. Laos
15. Pacific Islands
16. Cambodia

ASIA PACIFIC

17. Hong Kong
18. Macau
19. Taiwan
20. Maldives
21. Sri Lanka

Halal Certified Medicine

The ability of Muslim consumers to practise their faith and fulfil their religious obligations is hampered by several factors, such as scepticism towards the authenticity of halal certifications, affordability, and labelling issues. To overcome this challenge, we are working closely with JAKIM and collaborating with Halal Development Corporation (HDC) in contributing to the recent Halal Pharmaceutical Industry Guide. We invested in state-of-the-art technologies, developed our employees' Halal Audit capability, and encouraged knowledge transfer. In the year under review, 11 employees attended the halal competency training provided by the Halal Professional Board, JAKIM.

Pharmaniaga takes pride in how we have expanded our range of high-quality Halal-certified products. Our commitment to address the challenges in providing Halal-certified products has enabled us to capitalise on the opportunities presented in the Halal pharmaceutical market, which we believe can lead to a more inclusive healthcare landscape.

The table below shows the number of new and total Halal products we have offered in the past four years. We have continued our dedication to introducing even more products with the addition of 7 new products in FY2023. We still have more Halal products this year, even though the total number is down by two from last year, as nine previous products were withdrawn due to inactivity.

Halal Products	2019 (Baseline)	2021	2022	2023
New Halal Products	26	16	15	7
Total Halal Products	154	184	193	191

Below are our FY2023 initiatives to advance Halal Certified Medicine:

Initiatives	**Develop Halal Pharmaceuticals Industry Guide**	**Develop Halal Compliance Document under the National Competency Standard (NCS)**
		
Details of Activities	Invited as a panel to develop a guideline for Malaysian Halal pharmaceuticals certification.	Invited as a panel to develop Halal Compliance Document for Malaysia under the NCS.
Outcomes/ Achievements	The guidelines have been established by HDC.	Attended the first workshop in July 2023. Document expected to be completed in 2024.

ACCESS TO AFFORDABLE PRODUCTS

Universal health coverage can be achieved only when there is equitable access to essential medicines and healthcare products. We contribute to this endeavour by working with all our stakeholders to find ways of responding sustainably to public health needs.

The initiative to expand access to affordable healthcare products is being pursued under our 10-year Development Programme. Our R&D Division is constantly exploring the feasibility of producing even more generic products, such as pharmaceuticals, biopharmaceuticals and over the counter (OTC) product segments. Our strategy includes international collaboration to shorten the development phase and accelerate the local availability of product registration approval.

In 2023, we had 7 in-house developed products approved by NPRA, mainly in the antibiotics, antiviral and Central Nervous System drug categories.

Our primary strategy in providing access to affordable medicine is technology knowledge transfer and local licensing, which are the main reasons for the prohibitive cost of pharmaceutical products. To this end, we have conducted the following initiative in the year under review.

Local Manufacturing and Knowledge Transfer

Initiatives	Objective	Details of Activities
Develop Hexavalent Vaccine and Pneumococcal Conjugate Vaccine (PCV)	To locally manufacture safe and affordable high-quality children's vaccination products.	Awarded a grant by the Ministry of Science Technology and Innovation (MOSTI) under the Maklumat Projek Dana Pembangunan dan Pengukuhan Penghasilan Vaksin (DPVN) or Project Information for the Development and Strengthening of Vaccine Production Fund.
Locally Manufacture Imported Vaccine Products	Knowledge transfer from South Korea, Thailand and China.	Solidified agreement with above mentioned countries to locally manufacture their vaccine products.
Local Manufacture of Insulin Products	To support the increasing demand for insulin in Malaysia.	Partnered with India and China to develop and manufacture a range of insulin products.
Partnership for Biosimilar products	Local manufacturing of safe and affordable high-quality biosimilar products to the Malaysian population.	Solidified with agreements to supply and locally manufacture biosimilar products.

ASSOCIATIONS AND INDUSTRY COLLABORATION

Our commitment to drug safety is necessary in building a better healthcare system. We express this undertaking by building partnerships at the national and community levels because we gain invaluable expertise and experience by working with other organisations in the same industry. In this way, customers are always assured of the safety of the medically necessary drugs and dietary supplements they are taking. Moreover, these collaborations allow us to discover new technologies and changes in regulations and guidelines, helping us to stay ahead of new developments within the industry. We are pleased to be proud members of the following national and international associations in the year under review.

ASSOCIATION		
Research and Development	**Manufacturing**	**Logistics & Distribution**
• Institut Kimia Malaysia • International Society for Pharmaceutical Engineering (ISPE) • The Malaysian Pharmacists Society • Regional Vaccine Manufacturing Consortium • UK-SEA Vaccine Hub	• Malaysian Organisation of Pharmaceutical Industries (MOPI) • International Society for Pharmaceutical Engineering (ISPE) • Halal Development Corporation (HDC) • Federation of Malaysian Manufacturers (FMM)	• Contact Centre Association of Malaysia (CCAM) • Malaysian Pharmacists Society

OUR CHALLENGES

Though we faced a significant challenge in managing expectations in the year under review, we believe that setbacks can often translate into opportunities for growth and gaining insight. Challenges force us to find new knowledge, streamline processes and pivot towards new directions in order to succeed in future endeavours. Against this backdrop, the Group aims to strengthen our business by following a clear roadmap based on our five strategic pillars and sustainability goals.

Our main challenge in achieving customer satisfaction was ensuring timely deliveries. Creating sustainable products requires finding the right partner and considering the various financial, time, and resource-consuming factors of developing and locally manufacturing affordable, generic, and halal products. In addition, adopting new technologies and innovations in this fast-paced world can incur prohibitive costs. New technologies can sometimes be rendered obsolete before we recoup our investment. Another challenge is attracting expert talents and training and retaining employees.

OUTLOOK

Amidst the aforementioned challenges, we are confident of achieving positive growth with the support of our stakeholders. We have improved customer satisfaction by communicating with our suppliers and customers about their delivery concerns and other issues. We have solidified our partnerships with international pharmaceutical companies that share the same vision. MOSTI has awarded us under the Development and Strengthening of Vaccine Production initiative.

On the technology and innovation front, we acknowledge the necessity to keep up with the latest industrial trends. Thus, we are leveraging the government initiatives under the 12th Malaysia Plan and 4IR Policy and our synergy with our international partners in choosing the appropriate technologies. We will prioritise knowledge transfer to our local employees to empower them and help our supply chain grow and support our agenda. With all these in place, we are confident that we will become an employer of choice and will continue to be the preferred pharmaceutical brand in regional markets.

GOAL 2

ACTING WITH INTEGRITY

We are committed to uphold a sound corporate governance structure and to espouse excellent business ethics in step with our sustainability mission. We believe in the importance of demonstrating ethical business practices in our business and operations, as these allow us to deliver positive value and build strong and lasting relationships with our stakeholders. Our leaders and the rest of the Group understand that integrity is at the core of our approach.

Material Matters :

M5 Corporate Governance & Business Ethics

Key Risks:

- Legal and Regulatory Risk
- Cybersecurity Risk

SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

M5 CORPORATE GOVERNANCE & BUSINESS ETHICS

BEST PRACTICES

We have enacted our policies to ensure that we have a clear pathway for implementing the best practices. The Group adheres to the Malaysian Code of Corporate Governance (MCCG) and international standards. We expect every part of our organisation as well as our stakeholders to abide by these policies, which are accessible via our corporate website and intranet portal:
Pharmaniaga | Corporate Governance, Pharmaniaga | Corporate Policies

- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Gifting Policy
- Donation Policy
- Anti-Money Laundering Policy
- Vendor Code of Ethics Policy
- Code of Ethics and Conduct

ANTI-BRIBERY AND CORRUPTION MANAGEMENT

Six sites of the Group are certified with MS ISO 37001 Anti-Bribery Management Systems (ABMS). We started with three sites in FY2021 and certified two additional sites in 2022 and one in 2023. We are targeting 2 more sites for certification, including 1 Indonesia operation site. The standard allows us to prevent, detect and address bribery by adopting an anti-bribery policy, appointing a person to oversee anti-bribery compliance, training, risk assessments and due diligence on projects and business associates, implementing financial and commercial controls, and instituting reporting and investigation procedures. We have identified the following objectives as per the Anti-Bribery and Corruption Policy.

Anti-Bribery and Corruption Policy

Our Commitments

- Institute zero tolerance for bribery and corruption
- Uphold regulatory compliance
- Establish anti-corruption principles in all business dealings and interactions with stakeholders
- Raise concerns without reprisals
- Implement continual improvement of ABMS
- Practise transparency and good corporate governance
- Install an independent compliance body
- Disciplinary measures will be implemented following the guidelines, policies, procedures, directives, and guidelines set forth by the company

For a detailed copy of our policy please go to: https://pharmaniaga.com/about-us/corporate-policies/

Objectives	FY2023 Performance
Conduct awareness programmes annually at all sites.	Completed 06 Oct 2023
Arrange a minimum of two vendor ABMS awareness programs annually.	Target completion Q1 2024
Integrate ABMS elements into 4 SOPs in 2023.	Completed 05 Sep 2023
Achieve 1,500 man-hours of training for all employees annually.	Completed 29 Jan 2024
Organise competency programmes for the Compliance Function Unit by the end of 2023.	Target completion: Q1 2024

ABMS Committee

As leaders, the Board of Directors (BOD) exercises oversight over the implementation of the ABMS and is in charge of approving objectives and targets. Consisting of the top management, the Integrity and Governance Unit (IGU) ensures that adequate resources are integrated and deployed for the effective operation of the ABMS.

The CFU consists of the certified integrity compliance officers (CeIO) who support the heads of department in implementing the ABMS that applies to their areas of responsibility.

BOARD OF DIRECTORS

INTEGRITY AND GOVERNANCE UNIT (IGU)

COMPLIANCE FUNCTION UNIT (CFU)

Transparency and Integrity in All Transactions

The Group takes the matter of bribery seriously. We assess the risk severity, nature and extent of bribery concerning specific transactions, projects, activities, associates, and personnel in certain positions. The assessment includes the due diligence necessary to obtain sufficient information to assess the corruption and bribery risk. For major contracts and new vendor accreditation, a comprehensive risk assessment and evaluation process is conducted. Current partners are regularly monitored and evaluated. Additionally, company personnel, tender panel members and candidates must declare any potential conflicts of interest.

MS ISO 37001:2016 Certified sites:

- Pharmaniaga Manufacturing Berhad
- Pharmaniaga LifeScience Sdn. Bhd.
- Idaman Pharma Manufacturing Sdn. Bhd. (Sg. Petani, Kedah)
- Idaman Pharma Manufacturing Sdn. Bhd. (Seri Iskandar, Perak)
- Pharmaniaga Research Centre Sdn. Bhd.
- Pharmaniaga Logistics Sdn. Bhd. (Bukit Raja, Seksyen 15 & 23)

In the year under review, we have drafted the following policies and are looking forward to their implementation in FY2024.

Centralised Procurement (Non-Trade) Policy & Procedures
Contract Renewal & Extension Policy
To implement procedures for renewing and extending contracts, ensuring a more transparent and fair process.
Consolidation of Purchases Policy
To streamline and consolidate purchases to enhance efficiency and cost-effectiveness.
Environmental & Sustainability Policy
To emphasise the organisation's commitment to environmental sustainability and responsible business operations.
Prioritisation of Local Sourcing Policy
To prioritise sourcing goods and services from local suppliers whenever feasible.
Bumiputera Vendor Policy
To promote inclusivity by focusing on supporting and engaging Bumiputera vendors in business dealings.

Board Tender Committee

We have established the Board Tender Committee (BTC) to ensure that objectivity, independence, fairness, and transparency are observed in awarding major contracts and that sustainability is integrated into our sourcing practices.

TRAINING AND AWARENESS

Vendor Integrity Pact

All our vendors are provided with integrity documents, which include the following:

- Anti-Bribery due diligence questionnaire
- Vendor code of ethics
- Vendor's declaration on anti-bribery
- Conflict of interest declaration
- Environmental, social and governance questionnaire

All our employees undergo ABMS awareness training sessions. New recruits experience such training upon onboarding, and they must sign the integrity pact. Meanwhile, current employees are also continuously educated on this matter, especially when policies and guidelines are updated or incidents are detected.

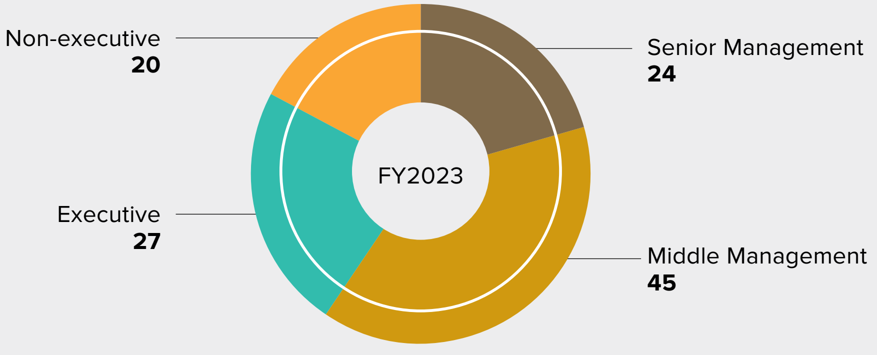
Below are some corruption-related training and awareness initiatives conducted in FY2023.

- Training conducted by the CeIO under the ABMS Committee
- Awareness of Anti-Bribery and Integrity for new employees
- Awareness of Anti-Bribery and Integrity in the DIRA Roadshow, together with Sustainability, Quality Safety and Risk Management
- Awareness of Anti-Bribery Management System and "Ikrar Bebas Rasuah"
- Anti-Bribery whistleblowing conducted by the head of Integrity and Governance

In FY2023, 35.2% of employees received Anti-Bribery and Corruption training.

Total number of employees received Training

116



RAISING CONCERNS

We have established a Whistleblowing Policy to create a framework for dealing with allegations of corruption, falsification of documents and abuse of power, as well as all types of misconduct and money laundering. All grievances are reported through our whistleblowing channels via email to **whistleblow@pharmaniaga.com** (Integrity & Governance Unit) or hotline at **1-800-18-2082**. The platform protects the confidentiality and identity of the whistleblower. We have also created additional channels wherein our stakeholders can report their specific concerns communicated in our policies.

In the period under review, we are proud to report that there were no confirmed corruption incidents.

Risk Assessment

Risk assessment was conducted by the divisions and further consolidated at the group level. We identify, measure, and rank critical corruption risks in Pharmaniaga that can potentially influence the company's operations and management. The risk register is prepared in accordance with Enterprise Risk Management (ERM) Framework. In the year under review, 85% of operations are assessed for corruption risks.

Percentage of operations assessed for corruption-related risks			
Period	**Total number of operations**	**Total number of operations assessed for corruption risk**	**% of operations assessed for corruption risks**
FY2021	16	10	63
FY2022	16	10	63
FY2023	13	11	85

Customer Privacy and Security

We abide by the Malaysian Personal Data Protection Act 2010 (PDPA) and all other laws protecting the private data of our customers, partners and other stakeholders in our countries. We have built a strong foundation of privacy and security controls. We protect our customers by adopting a rigorous set of security best practices. In the year under review, we had reported 14 cyber-attacks, but that were prevented by our firewall and endpoint antivirus. Despite these incidents, there were zero breaches of customer privacy.

The management of information security includes but is not limited to the following:

- Implementation and maintenance of ISO/IEC 27001:2013 Information Security Management Systems (ISMS).
- Investigation of any security incidents or violations of the Information Security Policies and Standards.
- Continuous information security awareness and training.
- Implementation of appropriate controls and measures to mitigate privacy and security risks.

OUR CHALLENGES

Corporate Governance and Business Ethics are fundamental material matters at the core of our business and operations. We uphold integrity in all our transactions by holding our employees accountable for their actions. We accomplish this by making sure that a checks and balances system is effectively in place. In spite of this, some ethical dilemmas may be complex and may require individuals to make difficult choices. As for data privacy, the rise in cybersecurity attacks is due to engineered attacks targeted at the human factor. Human risks and errors are vulnerable to various threats, including phishing and email scams.

OUR OUTLOOK

We will continue to uphold the highest standards of Corporate Governance and Business Ethics across all levels of our business and operations and our value chain. We will continually review our corporate governance policies and data practices. We will ensure that all our employees and supply chain are aware of our Code of Conduct and our policies and are properly trained in these matters. We will consistently raise the awareness on the importance of cybersecurity amongst our employees through various programmes and remain vigilant in strengthening our cybersecurity systems and safeguarding data privacy.

GOAL 3

ACHIEVING OPERATIONAL ECO-EFFICIENCY

Goal 3 is focused on promoting environmental protection and achieving sustainability excellence by doing more with less. The essence of Goal 3 is to implement measures that will enhance our operations whilst minimising or, if possible, completely eliminating our environmental impact by reducing our waste, consuming less energy and decreasing our greenhouse gas (GHG) emissions. For Goal 3, our prioritised SDGs are 3, 6, 7, 12 and 13; SDGs 15 and 16 are underlying. Given that these SDGs are linked to the environment, they, in turn, influence SDG 3 Health & Well-being.

When best practices are applied in pursuit of Goal 3, we can improve our reputation and build the trust of our stakeholders. It also makes us a more effective collaborator when engaging with our supply chain and critical business partners. By contrast, the mismanagement of these matters may expose us to various operational, environmental, legal and regulatory risks.

Material Matters :

- M6 Environmental Compliance
- M7 Resource Efficiency
- M8 Greenhouse Gas & Climate Change

Key Risks:

- Environmental Risk
- Legal and Regulatory Risk

SDGs:

ENVIRONMENTAL STANDARD

Pharmaniaga is certified with ISO 14001: 2015 Environmental Management Systems (EMS). We have adopted EMS as our structured approach to addressing pressing environmental concerns. Adhering to this standard expresses our commitment to regulatory compliance and ongoing environmental improvement. This, in turn, will further improve our reputation, operational efficiency, foster stakeholder trust, and enhance our partnerships with our supply chains.

ENVIRONMENTAL COMMITTEE

We have established an Environmental, Health and Safety (EHS) Committee at all our subsidiaries. Each committee is composed of employee and employer representatives. The task of this committee is to organise management review meetings wherein various concerns are addressed, including performance and target incidents, accidents, and continuous improvement measures. These meetings are attended by the top management, department heads and representatives of all subsidiaries. The committee evaluates the Group's environmental performance and submits its findings to the Sustainability Department. A Boustead Sustainability Pack Report is submitted monthly to the Sustainability (ESG) Department for continual monitoring and improvement at the Group level. Environmental performance, amongst others, is updated to the Management and Board Sustainability Committee (BSC).

ENVIRONMENTAL POLICY

We recognise that we must play a pivotal role in contributing to the efforts to address global changes such as climate change, biodiversity loss, and resource depletion especially during this time of heightened environmental consciousness. To focus on our path, we have established an Environmental Policy and corresponding objectives to keep.

Our commitments:

- Identify environmental hazards and risks and eliminate them wherever possible.
- Minimise adverse environmental impacts, including preventing air, water, and land pollution, and consider natural resource conservation from the activities and services provided.
- Continually improve performance and fulfil regulatory, statutory and stakeholder requirements.
- Inculcate environmental conservation via awareness, training programmes, consultations and participation of all stakeholders and related interested parties.

FY2023 ENVIRONMENTAL OBJECTIVES AND PERFORMANCE		
Objectives	**Initiatives**	**Performance**
To roll out a minimum of 3 programmes towards minimising energy consumption.	Compressed Dry System (CDA): Improvement activities (VSD Compressor, Air receiver tank 5m^3) at Pharmaniaga Manufacturing Berhad.	Electricity usage rate reduction from 12,055,894 in 2022 to 11,627,271 kWh in 2023 at Pharmaniaga Manufacturing Berhad.
	Chiller Operation: Optimisation of VSD Chiller operation (98% daily operation) at Pharmaniaga Manufacturing Berhad.	Natural Gas usage rate reduction from 44,146 in 2022 to 32,727 mmbtu in 2023 at Pharmaniaga Manufacturing Berhad.
	Boiler and Steam Improvement activities: Steam piping audit and replaced faulty parts at Pharmaniaga Manufacturing Berhad.	Electricity usage rate reduction from 5,405,066 kWh in 2022 to 5,135,181 kWh in 2023 at Pharmaniaga Manufacturing Berhad.
	Optimisation of Heating, Ventilation, and Air Conditioning (HVAC) System Operations in Idaman Pharma Manufacturing Sdn Bhd Seri Iskandar.	At Idaman Pharma Manufacturing Sdn. Bhd. Seri Iskandar, significant yearly savings were achieved: RM222,744 and RM448,632 for the HVAC Non-sterile and Sterile system, respectively.
Run a minimum of environmental programmes	Water Recycling and rainwater harvesting started in Indonesia.	Increased rainwater harvesting by 40% in manufacturing operation in Malaysia and Indonesia.
	Waste Management	Increased recycling of general waste by 30.5%.
	Awareness Training	Conducted environmental training to 128 employees
To ensure 100% compliance in managing the scheduled waste	"0" fines & non-compliance incident	
Ensure 100% regulatory and statutory compliance	"0" fines & non-compliance incident	

M6 ENVIRONMENTAL COMPLIANCE

Environmental compliance is of paramount importance to any business today. As a responsible corporate citizen, we admit that our diverse range of business activities could exert some environmental impacts. As such, we wholeheartedly comply with all relevant environmental rules and regulations for our business activities, services, and products. By adhering to applicable laws, regulations and other standards, we demonstrate our commitment to safeguard the environment through sustainable business practices. Present in each of our sites are the EHS Committee team who actively monitor and ensure that all our sites comply with the relevant rules and regulations in that jurisdiction. They also provide timely updates to our subsidiaries on new regulations. Listed below are the main ones to which we subscribe.

MALAYSIA	INDONESIA
• Environmental Quality Act, 1974 (Act 127) • Environmental Quality (Clean Air) Regulations, 2014 • Environmental Quality (Industrial Effluent) Regulations, 2009 • Environmental Quality (Sewage) Regulations, 2009 • Environmental Quality (Scheduled Wastes) Regulations, 2005 • Environmental Quality (Refrigerant Management) Regulation, 2020 • Environmental Quality (Control of Emission from Petrol Engines) Regulation, 1996 • Environmental Quality (Control of Emission from Diesel Engines) Regulation, 1996 • Environmental Quality (Motor Vehicle Noise) Regulation, 1987 • Guidelines for Environmental Noise Limits and Control, 2019	• Peraturan Pemerintah Republik Indonesia Nomor 22 Tahun 2021 Tentang Penyelenggaraan Perlindungan dan Pengelolaan Lingkungan Hidup • Peraturan Menteri Lingkungan Hidup Dan Kehutanan Republik Indonesia Nomor 5 Tahun 2021 Tentang Tata Cara Penerbitan Persetujuan Teknis dan Surat Kelayakan Operasional Bidang Pengendalian Pencemaran Lingkungan • Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor 1 Tahun 2021 Tentang Program Penilaian Peringkat Kinerja Perusahaan Dalam Pengelolaan Lingkungan Hidup

M7 RESOURCE AND EFFICIENCY

Effective resource management can be defined as finding ways to achieve a larger output from the same or lesser input. Recognising the pivotal role of effective resource management, we understand that any material and waste handling inefficiencies could expose us to operational, legal, and reputational risks. Therefore, we are unwavering in our commitment to astutely manage our resources, ensuring operational efficiency and cost-effectiveness. By prioritising resource optimisation, we safeguard our operations and contribute to sustainable practices that benefit both our company and the environment at large.

At Pharmaniaga, our dedication lies in the efficient and sustainable utilisation of resources, aiming to diminish both our environmental footprint and operational expenses through the adoption of optimal sustainable practices and streamlined resource management strategies. We maintain rigorous adherence to pertinent laws and regulations governing material and waste management across our operations in Malaysia and Indonesia.

We continue to apply new, efficient and innovative technologies to demonstrate our commitment. We encourage the practice of 3Rs (reduce, reuse, recycle). As for preventive measures, we regularly conduct internal and external audits to ensure that our environmental management practices meet and possibly even exceed statutory and regulatory requirements.

MATERIALS AND WASTE MANAGEMENT

Efficient Use of Materials

We are continuously working towards reducing the amount of waste generated by our operations. Some strategies that we have implemented for this purpose include applying waste management systems and optimising material consumption. Our dedicated team ensures that raw materials are used as efficiently as possible and closely monitors material inventory in each manufacturing facility. Our manufacturing facilities are equipped with resource management software, which we use to monitor and record material consumption. We also have an inventory planning system, which enables us to plan for the expected demand and avoid excessive usage. This system can record rejected products and analyse variances in material consumption.

Efficient Waste Management

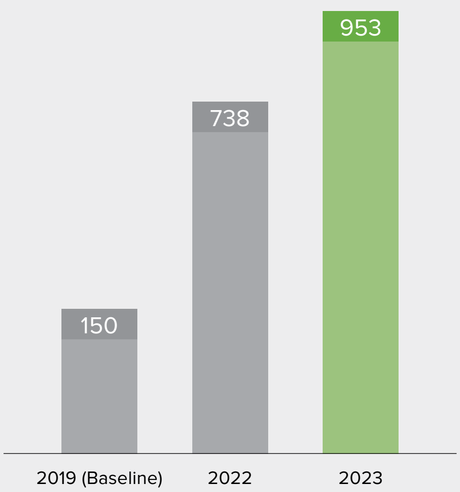
Our business activities generate both upstream and downstream waste from our operational activities and the retail part of our value chain. We segregate our waste and employ a five-tier waste mitigation hierarchy that prioritises waste prevention before sending waste to landfills. We recycle our packaging material and non-hazardous or domestic waste. We track our hazardous waste through an Electronic Scheduled Waste information system (eSWIS) and have established a documented procedure for disposing of medical devices following the regulatory and statutory requirements. Additionally, we engage licensed contractors to dispose of scheduled waste and conduct monthly inventory monitoring for Scheduled Waste Management.

Our Juru Branch conducts briefings on e-waste management, fostering a culture of responsiveness and proper disposal practices. Additionally, we ensure that all relevant operations have designated competent persons certified by the Department of Environment to oversee waste management activities, ensuring meticulous adherence to best practices and legal requirements. We consistently offer training sessions on the proper handling of hazardous waste to keep our employees updated on the latest regulatory guidelines and to raise awareness about the significance of regulatory compliance and effective hazardous waste management practices.

Within our Logistics & Distribution business segment, hazardous waste primarily consists of expired drugs returned by customers. Conversely, our Company's Manufacturing division generates hazardous waste through manufacturing processes, encompassing rejected raw materials and products, tested product samples, and sludge from the integrated effluent treatment system, among other sources. All hazardous waste undergoes proper disposal by licensed contractors, adhering strictly to applicable laws and regulations.

Waste Management

Recycling of General Waste (tonnes)



Material Management

Recycled Material Used as Packaging Material (tonnes)

We continue to improve our waste and material management by recycling. In FY2023, we recycled a total of 953 tonnes of general waste, a significant increase from the recorded 738 tonnes in FY2022. We have also increased the amount of recycled material we use as packaging to 229 tonnes in FY2023 from 222 tonnes in the previous year.

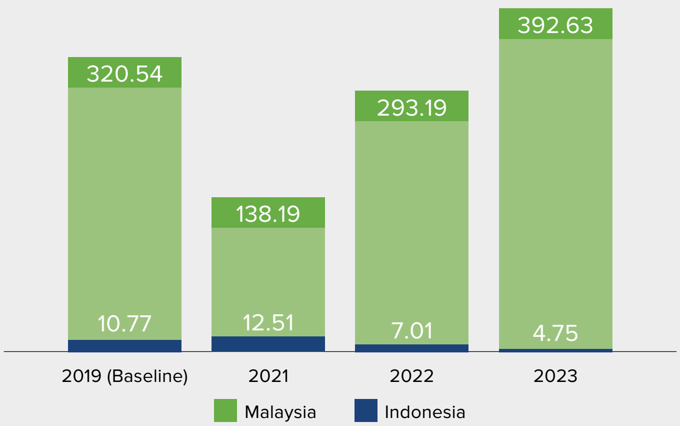
Alternative Raw Material

To minimise hazardous waste disposal, our Pharmaniaga Manufacturing Berhad plant converted hazardous waste such as sludge and activated carbon into alternative raw materials for the cement industry, serving as additives in the burning process. This initiative enabled us to repurpose 4.629 tonnes of waste, resulting in cost savings of RM9,738.92.

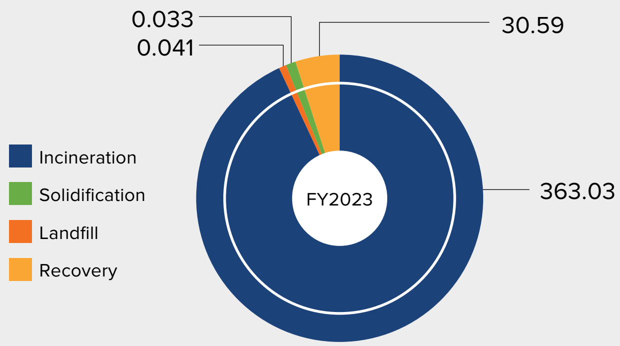
Repurposing of **4.629 tonnes** of waste into alternative raw materials, resulting **cost savings** of **RM9,738.92**

Weight of Waste Directed to Disposal and Diverted from Disposal

Hazardous Waste (tonnes)

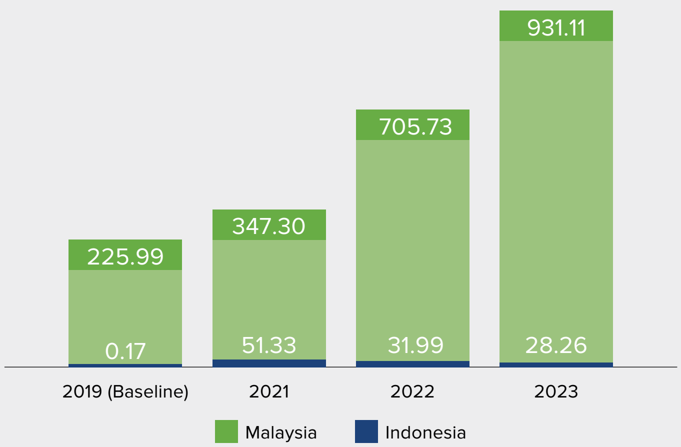


Hazardous Waste Disposal by Weight and Method (tonnes)



In 2023, most recycled non-hazardous or general waste comprised wooden pallets and corrugated carton boards, as shown below.

Non-Hazardous Waste (tonnes)



WATER AND EFFLUENTS MANAGEMENT

Water is a crucial natural resource in manufacturing our products, and any disruption may affect our operations and productivity. To avoid such a scenario and to minimise any negative impact on our operations, we comply with the laws and regulations pertaining to this matter, particularly Standards A and B of the Environmental Quality (Industrial Effluents) Regulations 2009. Our Manufacturing Division conducts a weekly internal water sample testing. We ensure that all effluents are treated before being discharged into nearby water bodies.

Initiatives:

- Assign a person in charge of monitoring water quality at relevant sites.
- Conduct third-party monthly water parameter testing.
- Monitor water consumption by computing the actual average usage per staff per month and trigger investigations in case of discrepancy.

Water Conservation Initiatives

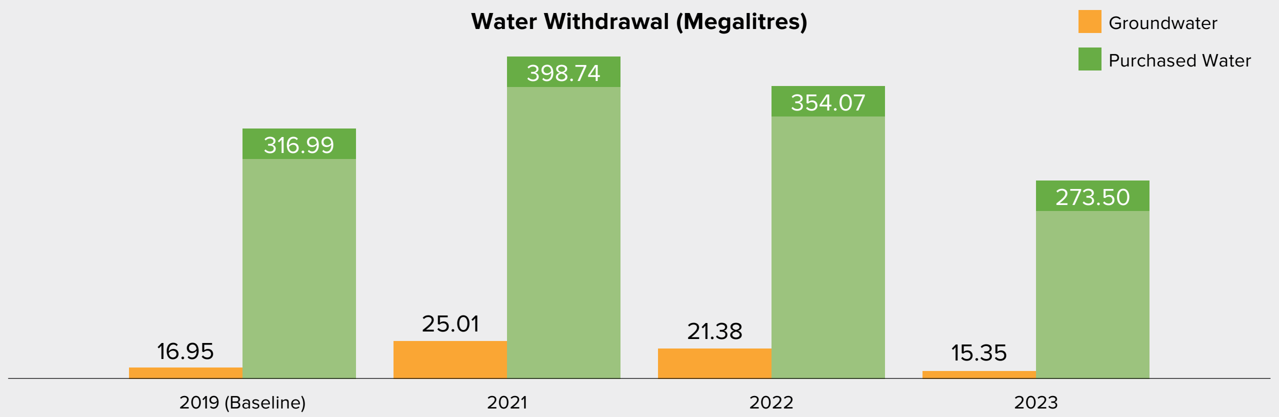
All our operations in Malaysia draw water from state appointed local operators but some of them also collect rainwater and recycle water where possible for non-essential purposes. One of our operations in Indonesia utilises groundwater and manages the water quality in-house.

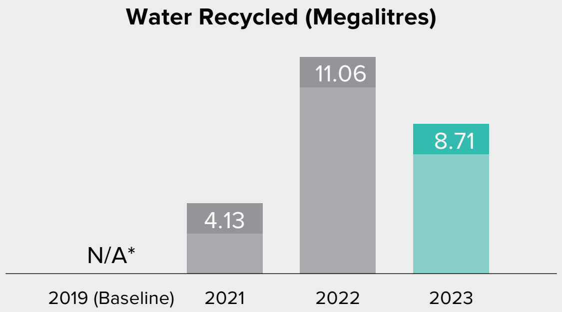
We typically avoid operating in regions experiencing water stress. However, one of our operations in Bandung, Indonesia, is situated in an area facing a medium to high risk of water stress. In response, we diligently monitor the operation's water usage and have enacted significant measures such as adhering to government-imposed restrictions on water withdrawal and regularly reporting water quality to authorities. These actions are aimed at ensuring uninterrupted business operations whilst minimising our environmental impact and supporting the local community. Our plant in Bandung relies on groundwater not only for its own operations but also provides it to the surrounding populace. We remain committed to monitoring water-related effects in the communities we serve and implementing appropriate mitigation strategies as needed.

Water Recycling Programme in Indonesia

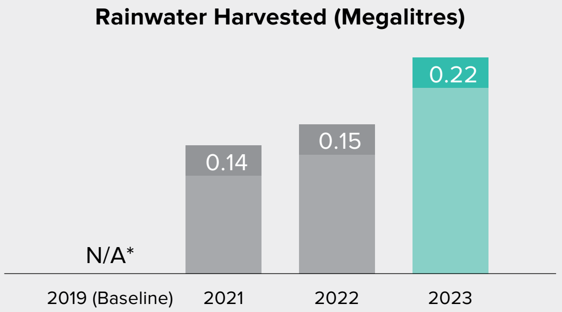
Our operations rely heavily on groundwater, making us susceptible to potential water scarcity challenges. Thus, we have adopted various sustainable water management practices that facilitate responsible resource utilisation. Our Bandung plant in Indonesia has implemented a water recycling programme in July 2023. This significant initiative enables us to transform wastewater into a valuable resource. Data on the amount of recycled water will be reported in FY2024.

As shown in the table below, whilst the total amount of water withdrawal of our Malaysian operations has largely been consistent in the past few years, our Indonesia operations have significantly reduced total water withdrawal (by more than 90,000 m^3).





** 2019: Data not available for water recycling*



** 2019: Data not available for rainwater harvesting*

M8 GREENHOUSE GAS AND CLIMATE CHANGE

Climate change has been an ongoing global crisis that has been threatening the lives and livelihoods of billions of people. The main causes of climate change are human activities such as burning fossil fuels and cutting down forests, which contribute to carbon emissions, and its negative impacts have been observed on a wide scale, including business activities, and supply chains. In this light, corporate organisations and industries have been urged to help in the transformation into a low-carbon economy and contribute to lowering the global temperature rise to just below 2°C. At Pharmaniaga, we recognise the necessity to adapt to climate change. We are currently stepping up our climate action to implement more robust measures. We are identifying our climate risks and opportunities to ensure the sustainability of our business.

In 2022, we embarked on a Decarbonisation Programme with a solution provider in support of the national agenda of net zero carbon emissions by 2050 and the Paris Agreement to limit the global temperature rise to below 2°C. To accelerate Pharmaniaga's transition to a low-carbon economy, the initiative will form a joint venture company to facilitate the implementation of Pharmaniaga's Decarbonisation Programme. It will enable both companies to leverage on each other's technical expertise and resources whilst allowing Pharmaniaga to adopt a more ESG-centric approach, in line with Boustead Holdings Berhad's ESG strategy, the Boustead Hijau (BIJAU) Agenda.

The Decarbonisation Programme focuses on three main aspects:

Energy Efficiency

Electric Vehicles

Renewable Energy

The Decarbonisation Programme is envisioned to significantly reduce the energy consumption and carbon emissions of Pharmaniaga's operations across Malaysia and Indonesia.

Energy Efficiency

Division	Entity	Initiatives	Type of energy sources	Cost Saved (RM)	Energy Saved (GJ)	Emissions Avoided (tCO_2e)
Manufacturing (Malaysia)	**PMB**	Installed a new VSD Compressor at the Compressed Dry System	Purchased electricity	RM74,299	723	152.21
		Upgrading CDA, New Air Receiver tank size	Purchased electricity	RM72,535	706	148.60
	IPMSB SI	HVAC Sterile Plant set run at minimum setting	Purchased electricity	RM448,632	399.38/ month	71.332/ month
		HVAC non-sterile weekend shutdown	Purchased electricity	RM222,744	198.29/ month	35.416/ month
Distribution Centre	**PLSB BR**	Changed to energy efficient chiller for Chiller Plant A Fine tune chiller operation at Chiller Plant C Control BR office temperature range at 23-25˚c BR premises changed to 100% LED	Purchased electricity	RM371,313	5,552	1,169
	Sarawak	Changed to LED street lighting	Purchased electricity	Installation commenced in December 2023 and the performance results will be reflected in the 2024 Report		
	S15	Shut down packing and freezer area in the Cold Room by transferring all Cold Room items to BR	Purchased electricity	RM8,828.99	87.08	18.34

Electric Vehicle

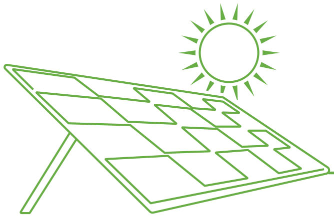
In line with our Decarbonisation Programme, we recognise the pivotal role that transportation plays in contributing to greenhouse gas emissions. To address this challenge, we have integrated electric vehicles (EVs) into our operational framework, recognising them as a crucial component of our sustainable mobility strategy. We have initiated a pilot project employing two electric vans for last-mile distribution across various areas of the Klang Valley. This proof-of-concept project is only the beginning of more intricate initiatives.

Renewable Energy (RE)

Entity	Initiatives	Type of energy sources	Cost Saved (RM)	Energy Saved (GJ)	Emissions Avoided (tCO_2e)
IPMSB SP Malaysia	Solar Energy	Solar Energy	RM233,654.32	749.50	157.81

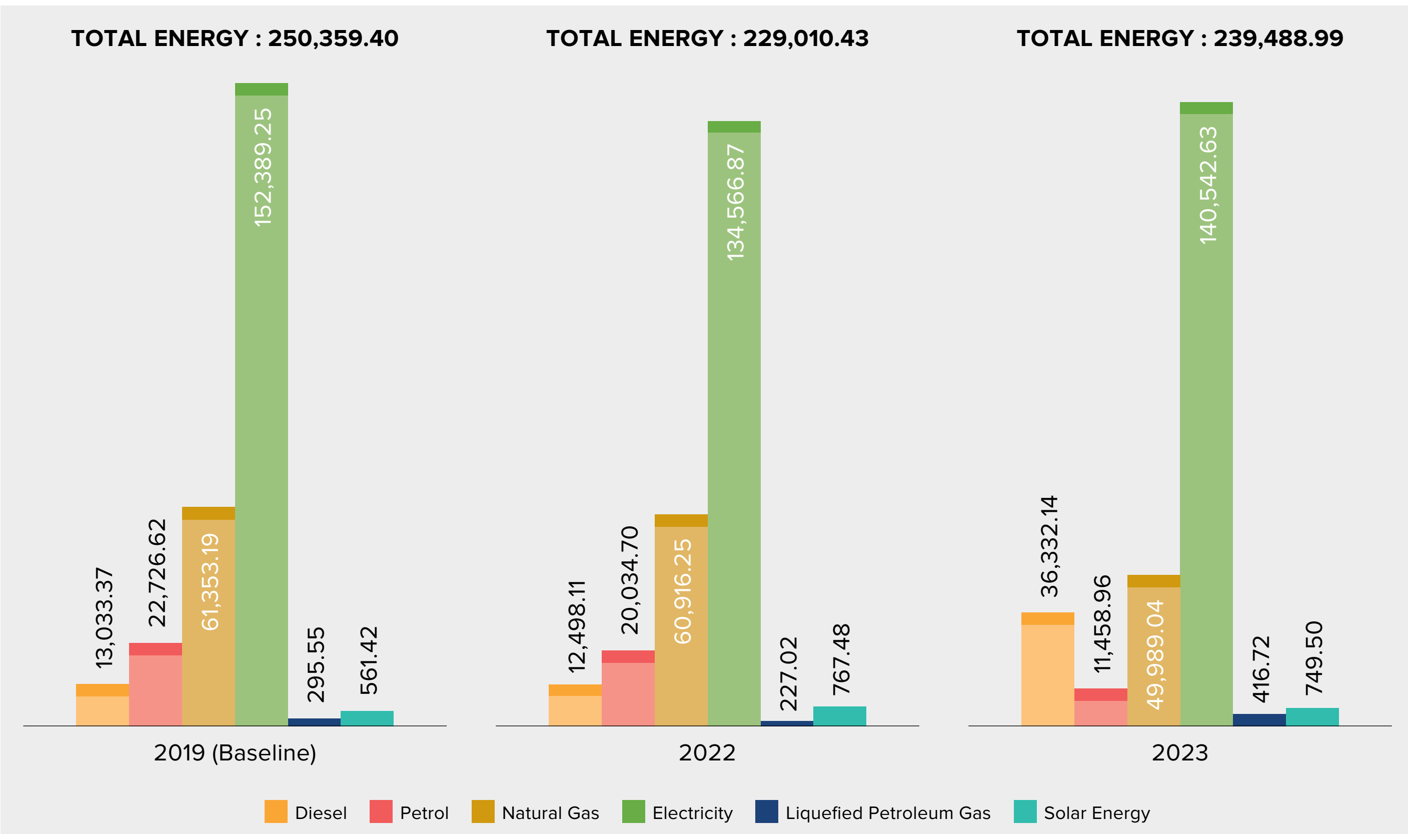
ENERGY TRANSFORMATION PLANS

Under the Malaysia Renewable Energy Roadmap (MyRER), the government has set an ambitious target of renewable energy, that is, to provide 31 percent (13 gigawatts) of the nation's energy needs by 2025 and 40 percent (18 gigawatts) by 2035. To align with this agenda, we plan to improve our RE by installing more solar panels at the following sites.



Install solar panels at 6 sites (manufacturing and logistics) by the end of 2024

ENERGY PERFORMANCE INDICATORS



ENVIRONMENTAL TRAINING

Our environmental training programme is designed to equip our employees with the latest tools and insights to navigate and ensure compliance with the prescribed regulatory and statutory compliance.

In 2023, we successfully completed 820 environmental training hours. The training was conducted by external providers and covered a wide range of topics, including carbon footprint, Course for Certified Environmental Professionals in Scheduled Waste Management, ISO 14001:2015 implementation and auditing courses.

127 employees attended

820 hours of Environmental Training

CHALLENGES

With the increasing global concern about environmental issues, businesses are now under pressure to assess and decrease their overall environmental impacts. Malaysia has committed to lower its Nationally Determined Contribution (NDC) by reducing the greenhouse gas (GHG) emissions intensity of its GDP by 45% by 2030 relative to the GHG emissions intensity of its GDP in 2005. The country continues to allocate financial resources for implementing climate change mitigation programmes through public and private sector initiatives. In support of this national climate agenda, we at Pharmaniaga have taken measures to reduce our consumption of natural resources and set our own GHG targets to help protect and preserve the environment.

OUTLOOK

We acknowledge that the expansion of our operations can lead to an increase in generated waste and consumed energy and natural resources. By applying EMS ISO: 14001, we ensure that we adhere to the prescribed environmental regulations, empower our stakeholders and adopt the industry best practices. We have adopted technological innovations to become more energy- and resource-efficient, and we have reduced fossil fuel consumption through renewable energy use.

We strive to achieve our environmental targets and objectives, continuously improve our performance, and create a circular economy.

GOAL 4

CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

Goal 4 centres on the protection of fundamental human rights and the health and safety of our employees and stakeholders. The expected outcomes of Goal 4 are to enable employees to have fair and decent work and to empower them to reach their full potential. These will guarantee not only their professional growth but also their health and safety, as well as having a fair income. Goal 4 contributes to the fulfilment of SDGs 1, 3, 4, 5, 8 and 16. The associated key risks are business, legal and regulatory risks because any violations pertaining to Goal 4 could result in hefty fines, legal battles and reputational damage.

Material Matters :

- M9 Talent Management
- M10 Health & Safety

Key Risks:

- Business Risk
- Legal and Regulatory Risk

SDGs:

M9 TALENT MANAGEMENT

We manage our employee education by ensuring that our people are equipped with the latest industry knowledge and are provided with holistic capability development.

TRAINING AND DEVELOPMENT

We enhance the skills and capabilities of our workforce by exposing them to continuous training and upskilling programmes which will help them thrive in their respective roles and remain competitive in the job market. We conduct three types of training, as shown below.

TYPES OF TRAINING		
Functional, Technical, Compliance & Development	**Soft Skills**	**Continual Education Programme (CEP)**
Develop the capability of employees to perform their current and future work activities to remain competitive.	Enhance employees' behaviours, attitudes, and aptitudes to fulfil their current roles, embed accountability, and develop leadership potential.	Provide educational support to employees who wish to pursue tertiary education.

TRAINING INVESTMENT IN FY2023

In-House Training
RM301,822

External Training
RM586,656

In 2023, under the CEP, seven employees received financial assistance to pursue further studies at a local university. Three of them are pursuing diploma courses, whereas four are taking bachelor's degrees. Moving forward to 2024, we are commencing our succession planning programme to identify specific high-potential employees who can be developed into taking over leadership roles in the future.

	Total hours of External Training by Employee Category			
Period	Senior Management	Middle Management	Executive and Non-Executive	Total training hours
2021	3,094	38,674	51,889	93,657
2022	2,447	50,242	67,662	120,351
2023	1,402	30,352	49,927	81,681

PERFORMANCE REVIEW

Pharmaniaga continues to apply a Performance Monitoring System wherein the Key Performance Index and Key Result Areas of employees are regularly reviewed to improve their overall performance. Each performance review is conducted through one-to-one sessions with line managers to discuss career advancement and determine any essential training needed to fill skill gaps.

TALENT MANAGEMENT

To build a high-performing, engaged, and diverse workforce that can drive innovation, growth, and success in the pharmaceutical industry by attracting top talent, building a pipeline of future leaders, promoting diversity and inclusion, and enhancing employee engagement and retention.

NEW HIRE

Recruitment Platform

- Social media: Leverage social media platforms such as LinkedIn, Facebook, Indeed, BrioHR and Instagram – sharing job postings, company updates, and other relevant information.
- University Career Fairs: Participate in university career fairs to connect with students and recent graduates seeking entry-level or internship opportunities in the pharmaceutical industry.
- Networking Events: Join networking events, industry conferences, and professional association meetings to connect with potential candidates and build relationships within the industry.

BENEFITS AND REMUNERATION

We believe that nurturing the needs and welfare of our employees will translate to their improved overall well-being, raise their work productivity and lead to a shared commitment to the Group's success. We abide by the national minimum wage law, and our pay scale is above the minimum wage requirement benchmarked against our industry peers. Our Employee Handbook was revised with an improved remuneration and benefits package. We also comply with the regulations for upholding equal pay and equal work. Female employees are entitled to 98 consecutive days of paid maternity leave, including off days, rest days, and public holidays, as defined in the Employment Act of 1955. We also granted paternity leaves and Long Service Awards to employees who have worked for the company for 15 to 25 years.

Financial Assistance

- Car loan interest subsidy
- Medical benefits and employee insurance
- Meal subsidy
- Attendance allowance
- Tuition subsidy (dependent children)
- Higher education entrance subsidy (dependent children)
- Retirement gift
  - Additional 2% for Employer contribution in EPF after 2 years of service
  - Donation upon death of employee and immediate family members
  - Group Term Life and Group Personal Accident Insurance Coverage

Leave Support

- Birthday leave
- Marriage leave
- Paternity leave
- Maternity leave
- Compassionate leave
- Haji leave
- Umrah leave
- Quarantine leave

Well-Being Support

- Back-to-school tokens
- Flood relief assistance
- Flexible working hours
- Work from home
- Fruit baskets for hospitalised employees
- Celebratory cash or gift for employees first marriage
- Gift for birth of children

SAFEGUARDING EMPLOYEE HUMAN RIGHTS

Pharmaniaga believes that human rights are universal rights that serve as a moral compass in pursuing our goals. Therefore, we treat our stakeholders equitably and do not discriminate against our employees and stakeholders regardless of their age, gender, ethnicity, religion, disability or nationality.

We abide by all the relevant labour laws and strive to embed fair labour practices across our business operations in the countries where we operate. In Malaysia, these legislations include the Employment Act 1955, the Industrial Relations Act 1967 and the Trade Unions Act 1959. We have also adopted best practices prescribed in the UN Guiding Principles on Business and Human Rights.

Diversity And Inclusion

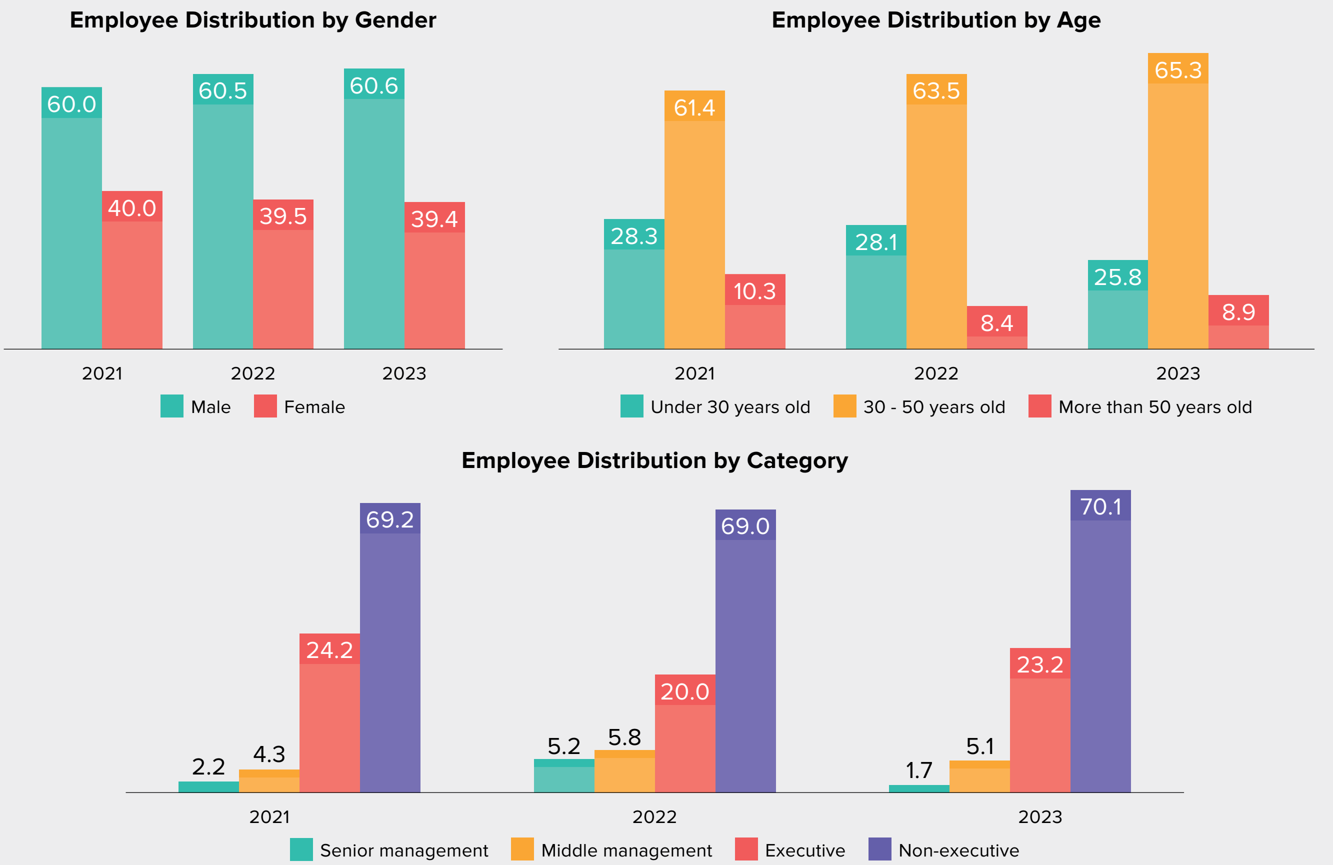
We make hiring and promotion decisions based on merit and do not discriminate against employees regardless of age, gender, ethnicity, religion, disability or nationality. To this end, we have enacted policies and preventive measures to address human rights issues and ensure the equitable treatment of our employees and stakeholders. Our Gender and Diversity Policy is published on our website, and employees can access sexual harassment and workplace bullying policies on the intranet. These policies are translated into languages that our employees can comprehend. During their induction programme, employees are informed of the existence of these policies and grievance channels where they can report incidents. In 2023, there were zero reported incidents of discrimination among employees.

We recognise the importance of having diverse representation in our leadership. In light of the need to improve the number of women in prominent roles, the Sustainability Board Committee made a concerted effort to achieve a 33.3% women representation on the Board to meet the 30% ratio objective set by the Malaysian Code on Corporate Governance (MCCG).

We offer both maternity and paternity leaves. In FY2023, we recorded 100% return work and retention rates for employees who took parental leaves for males and females.

Please refer to page 115 for complete diversity data.

Percentage of Employees by Gender & Age Group by Employee Category



Listed below are our Employment Policies, Commitments and Guidelines

Gender Diversity Policy	Employee Code of Ethics & Conduct	Sexual Harassment Policy	Workplace Bullying Policy	Disciplinary Procedures & Guidelines
Employment of Underprivileged Groups	Elimination of Excessive Working Hours	Equal Work & Equal Pay	Grievance Procedures	Equal Opportunities

Freedom of Association & Collective Bargaining

Pharmaniaga upholds its employee's rights to freedom of association and collective bargaining, as covered in the Employee Handbook and company policies. Their rights include getting overtime rates for union employees, payment of allowances, salary adjustments, contract execution, salary structure and increments. In 2023, 6% of our employees were covered by collective bargaining agreements. We review and revise the collective agreement every three years to maintain a harmonious long-term working relationship with union employees. The latest collective agreement was signed in August 2022, union members visits and discussions with employees are held whenever required. Employees who are not covered by Collective Bargaining Agreements receive reasonable working conditions and terms of employment as stated in the Employee Handbook.

Year	2019 (Baseline)	2021	2022	2023
No. of Union members	230	252	228	221
% of Union members out of the total no. of employees	6.4	6.9	6.0	6.3
% of Union members out of the total no. of non-executive	8.9	9.9	8.8	9.0

M10 HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY (OSH) MANAGEMENT SYSTEM

Pharmaniaga Malaysia is certified with ISO 45001:2018 Occupational Health and Safety Management Systems (OHSMS). The standard sets out our guidelines for managing health and safety risks at the workplace. It enables our business units to set high standards in its procurement, manufacturing, storage and distribution services of products to both hospitals and clinics in public and private sectors.

Below is the excerpt of our Health and Safety Policy and commitments which outline our planning, implementation, operation, audit and review. Key elements include leadership commitment, worker participation, hazard identification and risk assessment, legal and regulatory compliance, emergency planning, incident investigation and continual improvement.

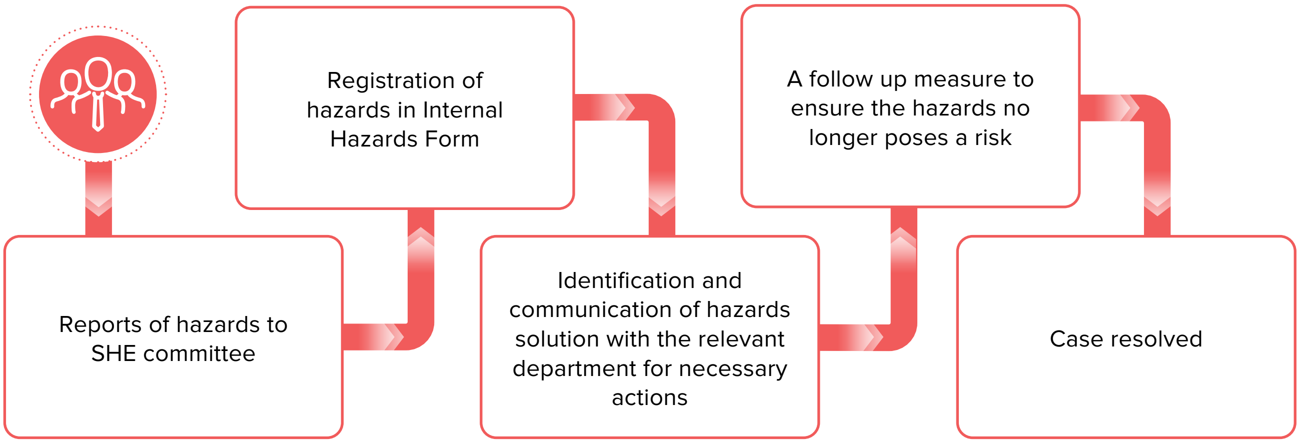
HEALTH AND SAFETY POLICY

Our commitments:

- Identify hazards and risks and eliminate them wherever possible.
- Continually improve performance and fulfil regulatory and stakeholder requirements.
- Inculcate safety and health culture via awareness, training programmes, consultations and participation of all stakeholders and related interested parties.

Health & Safety Governance

In our steadfast commitment to protect our employees, the established SHE Committee sustains its stewardship by organising quarterly meetings to discuss health and safety issues. All issues including incidents and accidents raised by employer and employee representatives to the SHE Chairman are discussed thoroughly.



INITIATIVES

HIRARC

We conduct Hazard Identification, Risk Assessment, and Risk Control (HIRARC)/ Hazard Identification, Risk Assessment, and Determining Control (HIRADC) before any work is commenced at any operational sites to assess and control potential risks. Employees are expected to immediately report to the SHE Committee for further assessment when a hazard is identified. The SHE Committee will manage the hazard based on the hierarchy of controls to ensure that the risk is addressed accordingly. These measures were set to provide a safe and conducive workplace for our employees.

- Elimination
- Substitution
- Isolation
- Engineering Control
- Administrative Control
- Personal Protective Equipment

Control hierarchy in managing hazards and risks

Training Programmes

The Group ensures that its employees participate in Health and Safety training and programmes throughout the year to keep them updated with the latest best practices on health and safety at work.

16 Employees trained in Health and Safety Standards

Employee Wellbeing

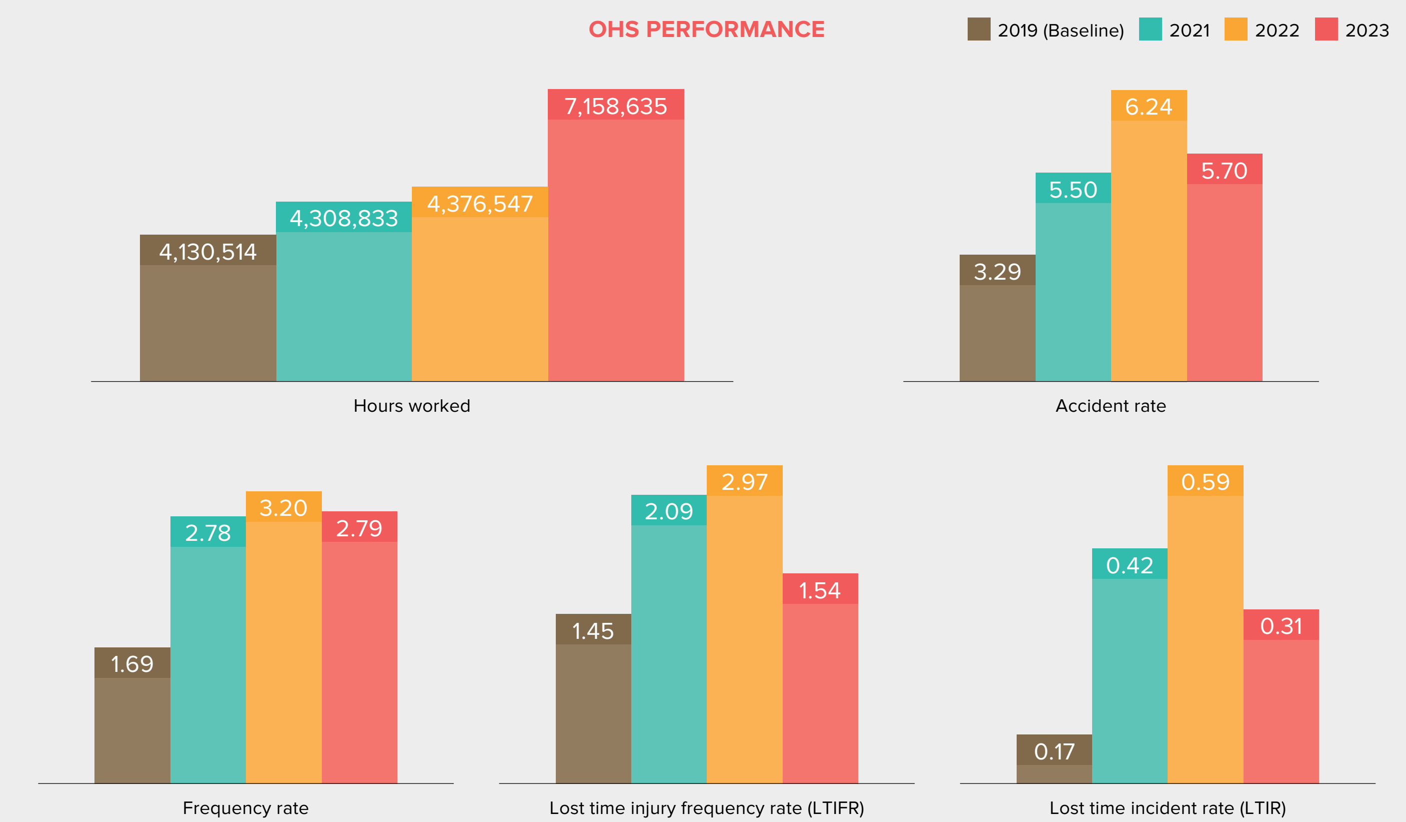
Quality of life has traditionally been measured using economic indicators. Whilst these are still essential metrics, they fail to capture the whole picture of someone's life. In today's working environment, employee well-being has expanded beyond financial concerns to include having a holistic work-life balance that caters to their personal, physical, emotional, social and professional needs.

To this end, we have reviewed our benefits and have made some improvements to promote a good work-life balance. We offer work leaves for marriage, paternity, maternity, bereavement, and religious reasons. In addition, we have introduced flexible working hours and work-from-home initiatives. We have also started organising sports and social gatherings, which gives an opportunity to our employees to network with their colleagues, build relationships and improve team spirit.

We take care of the mental health of our employees by exposing them to the companywide stress management training. We also conduct the Depression, Anxiety & Stress Scale (DASS-21) Survey and monthly health poster campaigns, amongst others.

Health and Safety Performance

We aim to minimise work-related injuries by continuously monitoring, inspecting and assessing the workplace. Work-related injuries refer to accidents related to physical hazards on our premises, such as striking against stationary objects, falls on the same level and other unclassified accidents. We are pleased to report that no major accidents were recorded across all our operations in 2023.



LTIR: Number of lost time injuries in the reporting period/Total number of hours worked in the reporting period X 2000,000[2]

1 *LTIR is calculated as a rate where the number of lost time Incidents during the Reporting period are expressed per the total number of hours worked at the end of the reporting period.*

2 *200,000 represents a standardised value of the total hours that 100 employees work weekly for 40 hours for 50 weeks (100 x 40 x 50 = 200,000).*

OUR CHALLENGES

Retaining and attracting the best talent is one of our main challenges within our extremely competitive industry. Our goal is to select the best candidates available in the most objective manner without condoning any form of discrimination. Additionally, we strive to inculcate a culture of Health & Safety amongst our employees by involving them at every stage of the process and encouraging them to demonstrate their commitment to adopt the current best practices in their day-to-day operations.

OUTLOOK

Though retaining the best talents is a significant challenge, we remain committed to exposing our people to internal upskilling training programmes so that they can grow to be high-performing individuals who can better contribute to the company. We maintain our employees' job satisfaction by keeping them highly motivated and identifying their needs. We monitor each individual's performance in order to develop their specific capabilities. We provide opportunities for career growth and paths for succession planning, and we support their personal aspirations. We strictly enforce proper health and safety management in compliance with relevant statutory laws and regulations. We nurture the mental health and well-being of our employees.

GOAL 5

BUILDING A BETTER SOCIETY

Goal 5 is concentrated on our EESG impacts on the supply chain and the communities where we operate. The objectives of Goal 5 are to promote the good health and well-being of our people and to provide them with decent work that preserves their dignity whilst contributing to their financial growth. Business risk is associated with Goal 5, as incidents concerning the supply chain can impact our business.

Material Matters :

- M11 Supporting Local Businesses
- M12 Corporate Responsibility

Key Risks:

Business Risk

SDGs:

M11 SUPPORTING LOCAL BUSINESSES

It is the duty of Pharmaniaga to its stakeholders to manage its operations for their benefit. Goal 5 pertains to our aspirations to improve the lives of our community and suppliers by addressing their needs. We are committed to support the local industries through various programmes that upskill local vendors and suppliers, increase their business opportunities and create resilient jobs. We see it as our responsibility to contribute to the advancement of the community in health, education and welfare matters, amongst others.

LOCAL PURCHASING

Our commitment is to prioritise local vendors whenever possible. However, we engage the services of foreign suppliers in some cases, given that certain materials are locally unavailable. We have put together initiatives to upskill our suppliers and bolster their business opportunities.

Vendor Development Programme (VDP): Our VDP aims to assist in the Ministry of Health's (MOH) agenda to improve the pharmaceutical industry in Malaysia by helping vendors build their capability and skills to secure public grants for initiatives, such as manufacturing innovative local equipment.

SUPPLIER ENVIRONMENTAL AND SOCIAL ACCOUNTABILITY

External factors also affect our efforts towards sustainability. As sustainability issues and regulatory frameworks continue to evolve, so do our environmental and social considerations in the supply chain. Thus, we have created a set of environmental and social best practices that our supply chain must adhere to, develop, and maintain. These standards measure performance, mitigate risk, and increase transparency.

Our commitment to uphold human rights is reinforced in all our operations and applied to all stakeholders. All our suppliers must abide by the Group's social and environmental policies, especially our zero-tolerance for child labour, modern slavery and compulsory labour. Our supply chain must also comply with all relevant immigration laws in recruiting foreign labour and our human rights commitments in Goal 4 (Safeguarding human rights). Our purchasing department is vigilant in monitoring human rights violations in our supply chain. All of these are included in our suppliers' vetting.

> **OUR SUPPLIER COMMITMENT**
>
> ...
>
> **Inculcating safety, health and environmental conservation culture via awareness, training programmes, consultations and participation of employees and related interested parties, including contractors, suppliers and transporters related to our operational activities.**

M11 CORPORATE RESPONSIBILITY

Pharmaniaga considers the whole community, the local employees and businesses, the local government and civil societies as our partners in building a resilient community.

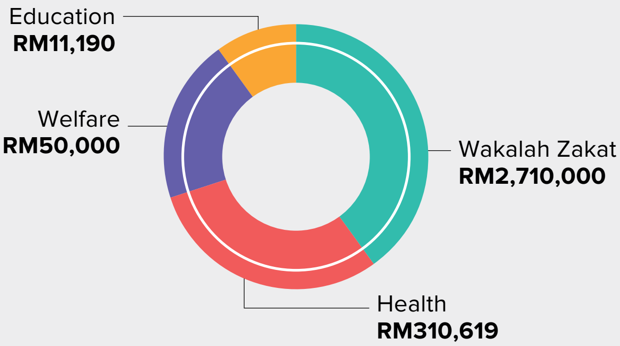
We have enacted a Donation Policy to provide a framework for donations and sponsorships. The policy reflects our commitment to good corporate governance in ethically doing CR initiatives. Additionally, our policy is not to donate to any political parties, and in FY2023, we continually have not done so.

Our main pillars are to advance the community's health, welfare, education, and zakat. We have also catered to other areas, such as urgent community concerns. We have partnered with various organisations to advance our community agenda, and in the year under review, shown below is the breakdown of our CR initiatives for both Malaysia and Indonesia operations.

Breakdown of CR Donations

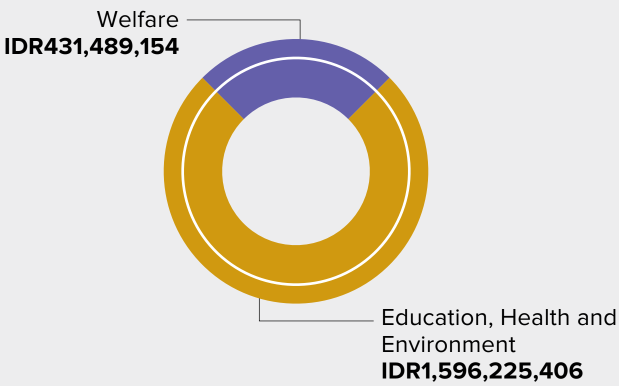
MALAYSIA

TOTAL RM3,081,809



INDONESIA

TOTAL IDR2,027,714,560



THE CR PILLARS

Health Pillar

Our marketing division received a request for free medicines from a 24-hour one-stop wellness community clinic that provides medical services, particularly to elderly homes, orphanages, and refugees. Since we value the importance of giving back to the community, the marketing division, together with the other divisions, successfully found a solution for supplying the clinic with cough and cold medicines. The donation amounted to RM 46,995.00.

Children's Rights to Good Health and Education

In addition to not tolerating child labour, we also seek to advance children's rights in accordance with the Children's Rights and Business Principles. We accomplish this through our core business activities, strategic social investments and philanthropy, advocacy and working in partnership with peers in the health sector. In collaboration with our peers, we are in the R&D stage to develop a 6 in 1 combination vaccine (Hexavalent) for childhood immunisation.

In Indonesia, we have put our efforts into protecting the children's rights to good health and education through the upkeep of orphanages.

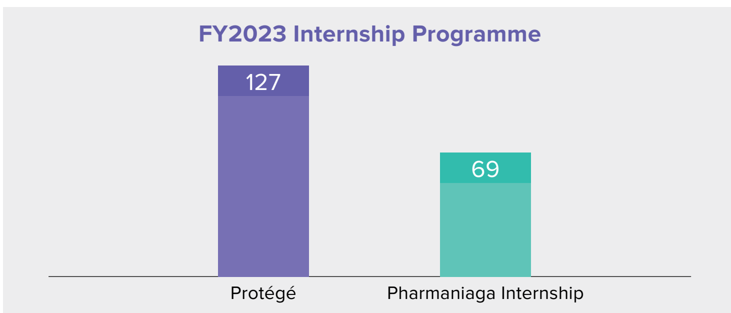
CSR Pillar

RM2,710,000 was distributed to various beneficiaries aligned with our CSR Pillars.

CSR Pillar	Activity	Amount (RM)
Education	School, Tahfiz & Kafa Integrasi.	15,000
	Angkatan Tentera Malaysia (ATM), - Sekolah Tahfiz & Anak Yatim (STAY) ATM, Jabatan Hal Ehwal Veteran (JHEV) and Hospital Angkatan Tentera Tuanku Mizan (HATTM). For Asnaf & Poor receivers.	225,000
	18 universities & 5 teaching universities. For Poor & Asnaf Students and Patients.	600,000
	PharmaApprentice.	60,450
Health	Jabatan Kerja Sosial KKM. For 69 Government Hospitals and 6 Government Clinics. For Asnaf & Poor Patients.	645,000
Welfare	Wakalah Zakat for Pharmaniaga Staff.	977,250
	NGOs.	20,000
Religious House of Worship	Surau & Masjid near to all Pharmaniaga sites.	70,000
	Pharmaniaga's Surau (BR, Sec 15, PLS, PMB, SP, Penang, SI, KK & KCH).	97,750

Education Pillar

Our internship programme offers work experience to fresh graduates of various fields and those aligned with the health sector. We have participated in the Professional Training and Education for Graduating Entrepreneurs (PROTEGE) for multiple fields of education. For those that are directly aligned with business, we have created the Provisionally Registered Pharmacist and internship programmes.



Welfare Pillar

Our welfare pillar is linked to responding to the communities in times of crisis or calamities. Our initiatives especially focus on locations where we operate and where our stakeholders are present. In the year under review, we contributed RM50,000 in Malaysia and IDR431,489,154 in Indonesia to various NGOs and charitable organisations.

ANIMAL WELFARE

Animal research raises dilemmas not only for scientists but also for organisations that use animals as part of their research projects. However, medical research continues as many health challenges remain unmet. Animal studies play an invaluable role in meeting these challenges, particularly experimental research, as they are essential in the medical development process.

Nonetheless, we are committed to prevent unnecessary animal testing and cruelty and to abide by the laws in the countries where we operate. This applies to the entire Group and our supply chain.

EMPLOYEE VOLUNTEERING

Our employee volunteering programme creates an opportunity to enable employees to make a lasting legacy through tree planting.

MPI, Jakarta	
Initiative	: **Tree Planting**
Collaborators	: Camar Group
Location	: Tambakrejo, Semarang
No. of Trees Planted	: **1,000**
No. of Employee Volunteers	: **30**

PT Errita, Bandung	
Initiative	: **Tanaman Lidah Mertua**
Collaborators	: -
Location	: PT Errita, Bandung
No. of Trees Planted	: **20**
No. of Employee Volunteers	: **150**

Pharmaniaga Berhad, Malaysia	
Initiative	: **Adopt a Tree**
Collaborators	: -
Location	: Bukit Raja
No. of Trees Planted	: **40**
No. of Employee Volunteers	: **40**

OUR CHALLENGES

We play a pivotal role in shaping our supply chain. We conscientiously support local businesses to ensure the survival of homegrown businesses. Building supply chain resilience requires changing and updating current processes and practices to address current challenges.

OUR OUTLOOK

We continue to enhance our supply chain by embedding sustainability practices into their actions. We will improve our supply chain management to penetrate local and international markets. We will also explore the potential of the digital health segment, teleconsultation, and e-pharmacy, which are trends that are expected to grow rapidly in the near future.

TCFD ALIGNED DISCLOSURES

TASK FORCE ON CLIMATE CHANGE FINANCIAL DISCLOSURE (TCFD)

Extreme weather events such as floods are becoming more common in Malaysia due to climate change. Thus, we see the necessity to identify our climate-related risks and implement tangible mitigating measures to ensure the sustainability of our business. The need to address and disclose climate-related risks has become even more important, as the investing community demands more transparency in climate-related financial disclosures.

Our climate-related risk assessment is based on the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS recommendations. Our first step in preparing to mitigate climate-related risks was to conduct a climate risk assessment to identify the physical and transition risks.

The table below shows the alignment of our disclosures against the four pillars of the TCFD. As we advance, we will intensify our climate actions and deepen our mitigation measures, such as conducting a climate scenario analysis, to increase the transparency of our climate-related disclosures.

GOVERNANCE

The Board Sustainability Committee has oversight on climate-related matters and GHG emissions. This includes driving the Group in its climate change strategy and GHG emissions reduction.

STRATEGY

We are currently stepping up our climate action to implement more robust measures to identify the climate risks and opportunities that will impact our business in the long term. We aspire to embark on science-based emissions reduction targets and conduct a climate scenario analysis in the near future.

RISK MANAGEMENT

In 2022, Our risk management team conducted a climate-related risk assessment for Malaysian operations and in 2023 we expanded this programme to cover the Indonesia operations. The initiative enabled us to identify the climate-related risks and opportunities that are most pertinent to our business activities. The assessment was conducted based on TCFD's recommendations, which consist of:

Transition Risks	Related to the transition to a low-carbon economy.
Physical Risks	These are related to the physical impacts of climate change, which will affect the value of our assets.

METRICS AND TARGETS

We have been collecting data and disclosing our Scope 1 and Scope 2 GHG emissions since 2019. As part of our transition to a low-carbon economy, we are looking into disclosing Scope 3 GHG emissions to reduce the carbon emissions of our value chain. Our Decarbonisation Programme will accelerate this, which seeks to significantly reduce the energy consumption and carbon emissions of our operations across Malaysia and Indonesia.

Type of Emissions	Total GHG Emissions (tCO_2e)			
	2019 (Baseline)	2021	2022	2023
Scope 1	9,257.95	6,442.14	6,044.78	6,576.49
Scope 2	28,245.64	25,242.26	25,051.73	29,081.55

	Revenue (GJ/RM mil)			
	2019 (Baseline)	2021	2022	2023
Total energy intensity	88.76	48.67	65.23	70.92

GHG Framework: GHG Emissions Protocol Calculation Tools

Emission Factor: Grid Emission Factor (GEF) Malaysia, 2017-2021, Malaysia Energy Information Hub (MEIH)

Home - Malaysia Energy Information Hub (st.gov.my)

CLIMATE-RELATED RISKS, OPPORTUNITIES AND POTENTIAL FINANCIAL IMPACTS

We undertook a climate-related risk assessment to evaluate and identify the risks and opportunities that will most likely impact our business in the long term. The climate-related risks are divided into two major categories, while the opportunities are categorised into five different types. Our climate-related risk assessment and disclosures are in accordance with the recommendations of the TCFD.

RISKS		OPPORTUNITIES	
Transition Risks	**Physical Risks**		
- Policy and Legal - Technology - Market - Reputation	- Acute - Chronic	- Resource Efficiency - Energy Source - Products and Services	- Markets - Resilience

Types of Risks **TRANSITION RISKS**

CLIMATE-CHANGE RISKS	CLIMATE-CHANGE OPPORTUNITIES
Policy and Legal: The enhanced or new national and international regulatory requirements for company reporting and products and services.	
- Application of Carbon Taxation - Exposure to litigation - Enhanced emissions-reporting	- Use of government GHG policy initiatives - Eligibility for Green Taxation - Transparent and comparative peer-to-peer reporting and benchmarking
Technology: The cost and effectiveness of transitioning to lower-emission technology.	
- Financial costs to transition to lower emissions technology - Substitution of existing products and services with lower emissions options - Possibility of unsuccessful investment in new technologies - Supply chain capacity to change	- Utilise green modes of transportation such as EVs - Increased choice of low-emission products and services will subsequently reduce cost - Use of sustainability performance-linked loans - Development of new technologies - Supply chain partnership to reduce climate change
Market: The behaviour and preference of customers looking for substitute products with lower emissions.	
- Changing customer behaviour - Uncertainty in market signals - Increased cost of raw materials	- Access to new markets - Development and/or expansion of low-emission goods and services - Raw material substitution - Repurposing and recycling of materials - Reduced taxation for green products - Consumer recycling of packaging
Reputation: The increase in stakeholder concern if the company does nothing to tackle climate change.	
- Shifts in consumer preferences - Negative product feedback - Increased stakeholder concern	- Foster good stakeholder relationship - Potential access to new investors through good ESG rating

Types of Risks	PHYSICAL RISKS
CLIMATE-CHANGE RISKS	**CLIMATE-CHANGE OPPORTUNITIES**
Acute: Critical Increased severity of typhoon and flood.	
- Halt of operations at production bases and damage to equipment due to flooding - Disruption to deliveries - Potential increase in health and safety expenses	- Conduct comprehensive business impact analysis (BIA) and risk assessment when exploring new business sites - Business Continuity Management countermeasures for heavy rain, equipment, etc. - Implementation of work at home and flexible working hours
Chronic: Changing weather patterns and rising mean temperature and sea levels.	
- Increased demand for emergency supplies - Increased insurance coverage for international logistics	- Retrofit old buildings to become energy-efficient - Conduct risk assessment for climate-change scenarios - Countermeasures for climate-change scenarios - Involve Suppliers in an emergency contingency plan - Opportunities for local sourcing

PERFORMANCE DATA TABLE
(ESG REPORTING PLATFORM)

As a Listed Issuer, Pharmaniaga is required to provide mandatory ESG disclosures as part of the Main Market Listing Requirements, in line with the enhanced Sustainability Reporting Guide, 3rd Edition. The following performance data table, downloaded from the ESG Reporting Platform, summarises indicators that are pertinent to our Material Matters.

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Bursa (Anti-corruption)						
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category						
Senior Management	Percentage	-	-	10.50	15.90	20.80
Middle Management	Percentage	-	-	15.10	13.00	36.90
Executive/Non-executive	Percentage	-	-	32.60	39.10	48.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	5.00	No Data Provided	10.00	10.00	11.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	-	-	0	0	0
Bursa (Community/Society)						
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	-	7,500,000.00	3,100,000.00	3,081,809.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	-	-	-	2,710,450
Employee participated in community impact programmes	Number	-	-	-	-	220
Bursa (Diversity)						
Bursa C3(a) Percentage of employees by gender and age group, for each employee category						
Age Group by Employee Category						
Senior Management Under 30	Percentage	-	-	-	-	0.00
Senior Management Between 30-50	Percentage	-	-	-	-	0.97
Senior Management Above 50	Percentage	-	-	-	-	0.68
Middle Management Under 30	Percentage	-	-	-	-	0.06
Middle Management Between 30-50	Percentage	-	-	-	-	3.82
Middle Management Above 50	Percentage	-	-	-	-	1.20
Executive Under 30	Percentage	-	-	-	-	6.75
Executive Between 30-50	Percentage	-	-	-	-	14.61
Executive Above 50	Percentage	-	-	-	-	1.85
Non-Executive Under 30	Percentage	-	-	-	-	18.97
Non-Executive Between 30-50	Percentage	-	-	-	-	45.94
Non-Executive Above 50	Percentage	-	-	-	-	5.16
Gender Group by Employee Category						
Senior Management Male	Percentage	-	-	-	-	1.22
Senior Management Female	Percentage	-	-	-	-	0.43
Middle Management Male	Percentage	-	-	-	-	3.30
Middle Management Female	Percentage	-	-	-	-	1.77
Executive Male	Percentage	-	-	-	-	8.69

Internal assurance | External assurance | No assurance | (*)Restated

Please refer to website https://pharmaniaga.com/sustainability/ for detailed disclosures regarding Pharmaniaga's sustainability performance

PERFORMANCE DATA TABLE (ESG REPORTING PLATFORM)

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Executive Female	Percentage	-	-	-	-	14.53
Non-Executive Male	Percentage	-	-	-	-	47.34
Non-Executive Female	Percentage	-	-	-	-	22.73
Bursa C3(b) Percentage of directors by gender and age group						
Male	Percentage	66.70	No Data Provided	88.90	81.80	66.70
Female	Percentage	33.30	No Data Provided	11.10	18.20	33.30
35 to 39	Percentage	0.00	No Data Provided	0.00	0.00	16.70
40-50	Percentage	16.70	No Data Provided	44.40	27.30	50.00
Above 50	Percentage	83.30	No Data Provided	55.60	72.70	33.30
Bursa (Energy management)						
Bursa C4(a) Total energy consumption	Megawatt	69,544.28	No Data Provided	65,098.75	63,614.01	66,524.72
Total energy consumption	Gigajoules	250,359.40	No Data Provided	234,355.49	229,010.43	239,488.99
Bursa (Health and safety)						
Bursa C5(a) Number of work-related fatalities	Number	0	No Data Provided	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.17	No Data Provided	0.42	0.59	0.31
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	-	0	2	16
Total hours worked	Hours	4,130,514	No Data Provided	4,308,833	4,376,547	7,158,635
Number of lost time injuries	Number	1	No Data Provided	2	3	2
Bursa (Labour practices and standards)						
Bursa C6(a) Total hours of training by employee category						
Senior Management	Hours	-	-	3,094	2,447	1,402
Middle Management	Hours	-	-	38,674	50,242	30,352
Executive and Non-executive	Hours	-	-	51,889	67,662	49,927
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	-	-	-	11.50	12.00
Bursa C6(c) Total number of employee turnover by employee category						
Senior Management	Number	-	-	-	-	15
Middle Management	Number	-	-	-	-	43
Executive	Number	-	-	-	-	211
Non-Executive	Number	-	-	-	-	408

Internal assurance External assurance No assurance (*)Restated

Please refer to website https://pharmaniaga.com/sustainability/ for detailed disclosures regarding Pharmaniaga's sustainability performance

PERFORMANCE DATA TABLE (ESG REPORTING PLATFORM)

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	No Data Provided	0	0	0
Average training hours per employee	Hours	17	No Data Provided	26	32	23
Total new hires	Number	543	No Data Provided	536	755	409
New hire rate	Percentage	15.05	No Data Provided	14.72	19.98	11.65
Turnover rate	Percentage	11.78	No Data Provided	13.70	14.72	19.28
Bursa (Supply chain management)						
Bursa C7(a) Proportion of spending on local suppliers	Percentage	84.00	No Data Provided	43	70	80.00
Suppliers assessed for environmental impacts	Number	-	-	-	-	116
Suppliers assessed for social impacts	Number	-	-	-	-	116
Bursa (Data privacy and security)						
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	-	-	10	10	14
Bursa (Water)						
Bursa C9(a) Total volume of water used	Megalitres	333.940000	No Data Provided	423.740000	375.450000	288.850000
Bursa (Waste management)						
Bursa C10(a) Total waste generated	Metric tonnes	557.47	No Data Provided-	549.33	1,788.31	1,956.41
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	226.16	No Data Provided	398.63	1,488.11	1,559.03
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	331.31	No Data Provided	150.70	300.20	397.38
Bursa (Emissions management)						
Bursa C11(a) Scope 1 emissions in tonnes of CO2e	Metric tonnes	9,257.96	No Data Provided	6,442.14	6,044.76	6,576.49
Bursa C11(b) Scope 2 emissions in tonnes of CO2e	Metric tonnes	28,245.64	No Data Provided	25,242.26	25,051.73	29,081.55
Customer Satisfaction						
Ministry of Health (MOH)	Percentage	94.00	No Data Provided	98.00	98.00	97.00
Ministry of Higher Education (MOHE)	Percentage	92.00	No Data Provided	96.00	100.00	97.00
Private Sector	Percentage	92.00	No Data Provided	94.00	94.00	No Data Provided
Materials management						
Total weight or volume of materials that used to produce and package products and services	Tonnes	-	-	-	1,047.00	1,069.00

Internal assurance | External assurance | No assurance | (*)Restated

Please refer to website https://pharmaniaga.com/sustainability/ for detailed disclosures regarding Pharmaniaga's sustainability performance

SUSTAINABILITY FRAMEWORKS

The table below describes the interconnectedness of the ESG frameworks that we utilised in this report. These principles-based frameworks are standardised tools that enable us to present information in a structured form and correlate the various indicators to our Goals and regulatory requirements.

NO.	COMMON INDICATORS	SUB-INDICATORS	BURSA INDICATOR	GRI INDICATOR	FTSE INDICATOR / SASB	PHARMANIAGA FOCUS AREA
1.	**Anti-corruption**	Percentage of employees who have received training on anti-corruption by employee category	C1 (a)	**205-2:** Communication and training about anti-corruption policies and procedures	**GAC:** Anti-Corruption Theme	**Goal 2 : Acting with Integrity**
		Percentage of operations assessed for corruption-related risks	C1 (b)	**GRI 205-1:** Operations assessed for risks related to corruption	**GAC:** Anti-Corruption Theme	
		Confirmed incidents of corruption & action taken	C1 (c)	**205-3:** Confirmed incidents of corruption and actions taken	**GAC:** Anti-Corruption Theme / **510:** Business Ethics	
2.	**Community/ Society**	Total amount invested in the community	C2 (a)	**201-1:** Direct economic value generated and distributed	**SHR:** Human Rights & Community Team	**Goal 5 : Building a Better Society**
		Total number of beneficiaries	C2 (b)	**201-1:** Direct economic value generated and distributed		
3.	**Diversity**	Percentage of employees by gender and age group for each employee category	C3 (a)	**405-1 :** Diversity of governance bodies and employees **405-2 :** Ratio of basic salary and remuneration of women to men	**SLS:** Labor Standards Theme	**Goal 4 : Creating a Sustainable and High-Performance Workforce**
		Percentage of directors by gender and age group	C3 (b)	**405-1 :** Diversity of governance bodies and employees	**SLS:** Labor Standards Theme	
4.	**Energy Management**	Total energy consumption	C4 (a)	**302-1:** Energy consumption within the organization	**ECC:** Climate Change Theme/ **130:** Energy Management	**Goal 3 : Achieving Operational Eco-Efficiency**
5.	**Health & Safety**	Number of work-related fatalities	C5 (a)	**403-9:** Work-related injuries	**SHS:** Health & Safety Theme/ **320:** Workforce Health & Safety	**Goal 4 : Creating a Sustainable and High-Performance Workforce**
		Lost time incident rate (LTIR)	C5 (b)	**403-9:** Work-related injuries	**SHS:** Health & Safety Theme/ **320:** Workforce Health & Safety	

NO.	COMMON INDICATORS	SUB-INDICATORS	BURSA INDICATOR	GRI INDICATOR	FTSE INDICATOR / SASB	PHARMANIAGA FOCUS AREA
5.	**Health & Safety (Cont'd)**	Number of employees trained on health & safety standards ***(External Training only)***	C5 (c)	**403-5:** Worker training on Occupational Health and Safety **404-1:** Average hours of training per employee	**SLS:** Labor Standards Theme	**Goal 4 : Creating a Sustainable and High-Performance Workforce**
6.	**Labour Practices & Standards**	Total hours of training by employee category	C6 (a)	**404:** Training and Education	**SLS:** Labor Standards Theme	**Goal 4 : Creating a Sustainable and High-Performance Workforce**
		Percentage of employees that are contractors or temporary staff	C6 (b)	**401:** Employment	**SLS:** Labor Standards Theme	
		Total number of employee turnover by employee category	C6 (c)	**401-1:** New Employee hires and employee turnover	**SLS:** Labor Standards Theme	
		Number of substantiated complaints concerning human rights violations	C6 (d)		**SHR:** Human Rights & Community Team	
7.	**Supply Chain**	Proportion of spending on local suppliers	C7 (a)	**204-1:** Proportion of spending on local suppliers	**SHR:** Human Rights & Community Team	**Goal 5 : Building a Better Society**
8.	**Data Privacy/ Security**	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	C8 (a)	**418-1:** Subtianted complaints concerning breaches of customer privacy and loss of customer data	**230:** Data Security	**Goal 1 : Delivering Sustainable Value and Future-Proofing Business**
9.	**Water**	Total volume of water used	C9 (a)	**303-3:** Water withdrawal **303-4:** Water discharge **303-5:** Water Consumption	**EWT:** Water Security Theme/ **140:** Water management	**Goal 3 : Achieving Operational Eco-Efficiency**
10.	**Waste Management**	Total waste generated and a breakdown of the following:	C10 (a)	**306-3:** Waste generated	**EPR:** Pollution and resources themed	**Goal 3 : Achieving Operational Eco-Efficiency**
		(i) total waste diverted from disposal		**306-4:** Waste diverted from disposal	**EPR:** Pollution and resources themed	
		(ii) total waste directed to disposal		**306-5:** Waste directed to disposal		

NO.	COMMON INDICATORS	SUB-INDICATORS	BURSA INDICATOR	GRI INDICATOR	FTSE INDICATOR / SASB	PHARMANIAGA FOCUS AREA
11.	**Emissions Management**	Scope 1 emissions in tonnes of CO_2e	C11 (a)	**305-1:** Direct (Scope 1) GHG Emissions **302-1:** Energy Consumption within the organization	**ECC:** Climate Change Theme/ **110:** Greenhouse Gas Emissions	**Goal 3 : Achieving Operational Eco-Efficiency**
		Scope 2 emissions in tonnes of CO_2e	C11 (b)	**305-2:** Energy indirect (Scope 2) GHG Emissions **302-1:** Energy Consumption within the organization	**ECC:** Climate Change Theme/ **130:** Energy Management	
		Scope 3 emissions in tonnes of CO_2e Business travel and employee commuting	C11 (c)	**305-3:** Other Indirect (Scope 3) GHG emissions	**ECC:** Climate Change Theme/ **410:** Product Design & Lifecycle management **430:** Supply Chain Management **440:** Materials sourcing and efficiency	
	SECTOR INDICATORS					
1.	**Emissions - Air Quality/ Pollution**	Air Emissions include pollutants that have negative impats on air quality ecosystems, and human and animal health.	S4 (a)	**305-7:** Nitrogen oxides (Nox), sulphur oxides (SOx), and other significant emissions		**Goal 3 : Achieving Operational Eco-Efficiency**
2.	**Materials**	Total weight or volume of materials that are used to produce and package products and services	S5 (a)	**301-1:** Materials used by weight or volume	**EPR:** Pollution and resources themed	
3.	**Effluents**	Total volume of water (effulent) discharged over the reporting period	S8 (a)	**303-2:** Management of water discharge-related impacts **303-4:** Water discharge		

GRI CONTENT INDEX

Statement of use	[Name of organization] has reported the information cited in this GRI content index for the period [reporting period start and end dates] with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	PAGE REFERENCE
GRI 2: General Disclosures 2021	2-1 Organizational details	4-9
	2-2 Entities included in the organization's sustainability reporting	2
	2-3 Reporting period, frequency and contact point	2, 66
	2-4 Restatements of information	115-117
	2-5 External assurance	2, 115-117, 126-127
	2-6 Activities, value chain and other business relationships	34-35
	2-7 Employees	100-106
	2-8 Workers who are not employees	116
	2-9 Governance structure and composition	69, 128
	2-10 Nomination and selection of the highest governance body	150, 153
	2-11 Chair of the highest governance body	147
	2-12 Role of the highest governance body in overseeing the management of impacts	69
	2-13 Delegation of responsibility for managing impacts	69
	2-14 Role of the highest governance body in sustainability reporting	69
	2-15 Conflicts of interest	85-86, 142-146, 150-152, 165
	2-16 Communication of critical concerns	69
	2-17 Collective knowledge of the highest governance body	130-138
	2-18 Evaluation of the performance of the highest governance body	150-153
	2-19 Remuneration policies	70, 101, 180-183, 223, 286 https://pharmaniaga.com/investor-relations-2/corporate-governance-2/
	2-20 Process to determine remuneration	70, 101, 180-183, 223, 286 https://pharmaniaga.com/investor-relations-2/corporate-governance-2/
	2-22 Statement on sustainable development strategy	66
	2-23 Policy commitments	66, 165 https://pharmaniaga.com/about-us/corporate-policies/
	2-24 Embedding policy commitments	68, 83-87
	2-25 Processes to remediate negative impacts	87
	2-26 Mechanisms for seeking advice and raising concerns	66, 87, 163-165
	2-27 Compliance with laws and regulations	66, 90, 115-117, 167
	2-28 Membership associations	81
	2-29 Approach to stakeholder engagement	36-37
	2-30 Collective bargaining agreements	103

GRI STANDARD	DISCLOSURE	PAGE REFERENCE
GRI 3: Material Topics 2021	3-1 Process to determine material topics	38
	3-2 List of material topics	39
	3-3 Management of material topics	40-41, 72-114
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	78
	201-2 Financial implications and other risks and opportunities due to climate change	112-114
	201-4 Financial assistance received from government	32
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	101
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	101
	203-2 Significant indirect economic impacts	78
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	78
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	87
	205-2 Communication and training about anti-corruption policies and procedures	86
	205-3 Confirmed incidents of corruption and actions taken	87, 115
GRI 301: Materials 2016	301-1 Materials used by weight or volume	117
	301-2 Recycled input materials used	92-93
	301-3 Reclaimed products and their packaging materials	92
GRI 302: Energy 2016	302-1 Energy consumption within the organization	96-97
	302-2 Energy consumption outside of the organization	N/A
	302-3 Energy intensity	112, 115-116, (*)
	302-4 Reduction of energy consumption	96-98, (*)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	94
	303-2 Management of water discharge-related impacts	94
	303-3 Water withdrawal	95, (*)
	303-5 Water consumption	95, 116, (*)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	95-98, 112, 117, (*)
	305-2 Energy indirect (Scope 2) GHG emissions	95-98, 112, 117, (*)
	305-4 GHG emissions intensity	117, (*)
	305-5 Reduction of GHG emissions	10, 48, 95-97, (*)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	91-93, 117, (*)
	306-2 Management of significant waste-related impacts	91-93, 117, (*)
	306-3 Waste generated	92-93, 117, (*)
	306-4 Waste diverted from disposal	92-94, 117, (*)
	306-5 Waste directed to disposal	92-95, (*)

Note (*): Please refer to website https://pharmaniaga.com/sustainability/ for detailed disclosures regarding Pharmaniaga's sustainability performance

GRI STANDARD	DISCLOSURE	PAGE REFERENCE
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	11, 67, 117
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	117, (*)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	101, 102
	401-3 Parental leave	101, 102
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	104
	403-2 Hazard identification, risk assessment, and incident investigation	105
	403-4 Worker participation, consultation, and communication on occupational health and safety	104-106
	403-5 Worker training on occupational health and safety	104-105
	403-6 Promotion of worker health	104-105
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	105
	403-8 Workers covered by an occupational health and safety management system	104-106
	403-9 Work-related injuries	106, 116, (*)
	403-10 Work-related ill health	106, 116, (*)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	66, 117, (*)
	404-2 Programs for upgrading employee skills and transition assistance programs	100
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	115, 128-129, (*)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	102
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	102-103
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	108
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	108
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	107-111, 117, (*)

Note (*): Please refer to website https://pharmaniaga.com/sustainability/ for detailed disclosures regarding Pharmaniaga's sustainability performance

GRI STANDARD	DISCLOSURE	PAGE REFERENCE
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	11, 67, 116
	414-2 Negative social impacts in the supply chain and actions taken	11, 67, 116
GRI 415: Public Policy 2016	415-1 Political contributions	109
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	76
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	75, 77
	417-2 Incidents of non-compliance concerning product and service information and labeling	49
	417-3 Incidents of non-compliance concerning marketing communications	49
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	87

SASB CONTENT INDEX

CODE	ACCOUNTING METRIC	PAGE REFERENCE
Fleet Fuel Management		
HC-DI-110a.	Payload fuel economy	Not Reported
HC-DI-110a.2	Description of efforts to reduce the environmental impact of logistics	66, 97
Product Safety		
HC-DI-250a.1	Total amount of monetary losses as a result of legal proceedings associated with product safety	Not Reported
HC-DI-250a.2	Description of efforts to minimize health and safety risks of products sold associated with toxicity/chemical safety, high abuse potential, or delivery	75-76
Counterfeit Drugs		
HC-DI-260a.1	Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting	Not Reported
HC-DI-260a.2	Discussion of due diligence process to qualify suppliers of drug products and medical equipment and devices	81, 108
HC-DI-260a.3	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	36
Product Lifecycle Management		
HC-DI-410a.1	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	92
HC-DI-410a.2	Amount (by weight) of products accepted for take-back and reused, recycled, or donated	110
HC-DI-510a.1	Description of efforts to minimize conflicts of interest and unethical business practices	84-86
HC-DI-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices	87, 115
Activity Metrics		
HC-DI-000.A	Number of pharmaceutical units sold by product category	Not reported
HC-DI-000.B	Number of medical devices sold by product category	Not reported

ASSURANCE STATEMENT

SIRIM QAS INTERNATIONAL SDN BHD
INDEPENDENT ASSURANCE STATEMENT

To Board of Directors, Stakeholders, and Interested Parties,

SIRIM QAS International Sdn. Bhd. was engaged by Pharmaniaga Berhad (hereafter referred to as Pharmaniaga) to perform an independent verification and provide assurance of the Pharmaniaga Sustainability Statement 2023. The main objective of the verification process is to provide assurance to Pharmaniaga and its stakeholders on the accuracy and reliability of the information as presented in this statement. The verification by SIRIM QAS International applied to sustainable performance information (subject matter) within the assurance scope which is included in Pharmaniaga Sustainability Statement 2023.

The management of Pharmaniaga was responsible for the preparation of the Sustainability Statement. The objective and impartiality of this statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the Pharmaniaga's Sustainability Statement, and the Integrated Annual Report 2023.

The assurance engagement was designed to provide limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and BURSA Sustainability Reporting Guide, irrespective of the organization's ability to achieve its objectives, targets or expectations on their subject matter and sustainability-related issues. The assurance activity evaluates the adequacy of Pharmaniaga Sustainability Statement and its overall presentation against respective frameworks such as UN-SDGs, TCFD and other relevant frameworks. The assurance process involves verification of applicable subject matter as presented in the statement through these goals i.e., Delivering Sustainable Value and Future-Proofing the Business, Acting with Integrity, Achieving Operational Eco-Efficiency, Creating a Sustainable and High-Performance Workforce, and Building Better Society. Details are provided in Appendix 1.

The verification was carried out by SIRIM QAS International in February to March 2024, with the following methodologies:

- Reviewing and verifying the traceability, consistency and accuracy of information collected from various sources; internal and external documentation which are made available during the conduct of assessment.
- Verification of data presented in the Sustainability Statement includes a detailed review of the sampled data.
- Interviewing key personnel responsible for collating information and writing various parts of the statement to substantiate the veracity of the claims.

The verification process was subjected to the following limitations:

- The scope of work did not involve verification of other information reported in Pharmaniaga Integrated Annual Report 2023.
- Pharmaniaga's corporate office at Kawasan Perindustrian Bukit Raja Selatan, Shah Alam, was visited as part of this assurance engagement. The verification process did not include physical inspections of any of Pharmaniaga's buildings, offices and plants. And,
- The verification team did not verify any contractor or third-party data.

ASSURANCE STATEMENT

Conclusion

SIRIM QAS International, a Conformity Assessment Body in Malaysia, is accredited to both ISO/IEC 17021-1:2015 and ISO/IEC 17065:2012 covering all our operational activities. The appointed assessors performing the assurance engagement were selected appropriately based on our internal qualifications, training and experience. The verification process is reviewed by management to ensure that the approach and assurance are strictly followed and operated transparently. During the verification process, issues were raised, and clarifications were sought from the management of Pharmaniaga relating to the accuracy of some of the information contained in the report. In response to the raised findings, the Sustainability Statement was subsequently reviewed and revised by Pharmaniaga. It is confirmed that changes that have been incorporated into the final version of the statement have satisfactorily addressed all issues. Based on the scope of the assessment process and evidence obtained, nothing has come to our attention that causes us to believe that Pharmaniaga has not complied, in all material respects, with the referred assurance standard and guide. The following represents SIRIM QAS International's opinion:

- The level of data accuracy included in Pharmaniaga Sustainability Statement 2023 is fairly stated;
- The level of disclosure of the specific sustainability performance information presented in the statement was found to be properly prepared;
- The personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report;
- The Sustainability Statement provides a reasonable and balanced presentation of Pharmaniaga's sustainability performance.

List of Assessors.

1)	Ms. Aernida Abdul Kadir	:	Team Leader
2)	Ms. Kamini Sooriamoorthy	:	Team Member
3)	Ms. Aine Jamaliah Mohamad Zain	:	Team Member
4)	Ms. Nur Ruzaini Ab. Razak	:	Team Member

Statement Prepared by:

AERNIDA BINTI ABDUL KADIR

Team Leader
Management System Certification Department
SIRIM QAS International Sdn. Bhd.

Date: 1 April 2024

Statement Approved by:

Ts. MD ADHA BIN RAHMAT

Senior General Manager
Management System Certification Department
SIRIM QAS International Sdn. Bhd

Date: 5 April 2024

Note 1: This Independent Assurance Statement has been issued based on the content verified prior to the approval date. SIRIM QAS International Sdn Bhd does not express an opinion on, nor guarantees the integrity and/or accuracy of the information provided with the view that the conclusion was conducted post verification assessment, hence not verified. SIRIM QAS International shall not be responsible for any changes or additions made after the referred date (1 April 2024).

BOARD OF DIRECTORS

Standing from left to right:

DATO' DR. FARIDAH ARYANI MD. YUSOF
Independent Non-Executive Director

DRS. IMAM FATHORRAHMAN
Independent Non-Executive Director

IZADDEEN DAUD
Non-Independent Non-Executive Chairman

ZULKIFLI JAFAR
Executive Director

DR. ABDUL RAZAK AHMAD
Senior Independent Non-Executive Director

BOARD OF DIRECTORS

Standing from left to right:

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

DATO' MOHD ZAHIR ZAHUR HUSSAIN
Independent Non-Executive Director

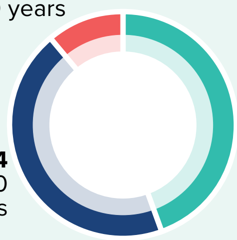
AHMAD SHAHREDZUAN MOHD SHARIFF
Non-Independent Non-Executive Director

MOHAMMAD ASHRAF MD. RADZI
Non-Independent Non-Executive Director

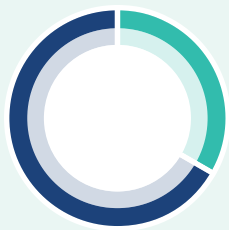
9 Directors

7 Male **2 Female**

Age Diversity



Board Tenure



Board Skills and Experience Matrix

- Accounting & Finance
- Human Resource
- Business & Economics
- Corporate Planning & Development
- Legal & Law
- Medical & Pharmaceuticals
- Risk Management

PROFILE OF DIRECTORS

IZADDEEN DAUD
Non-Independent Non-Executive Chairman

Gender	Male
Age	55
Nationality	Malaysian

Appointed on	1 March 2021
Date of last re-election	12 June 2023

Board Committee(s)
None

Details of any interest in the securities of Pharmaniaga Berhad
None

Directorship in other public listed companies
- Boustead Heavy Industries Corporation Berhad

Directorship in public companies
- Boustead Plantations Berhad
- Boustead Properties Berhad
- UAC Berhad

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

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

Board Meetings attended in the financial year

Board Skills and Experience Matrix

Working Experience and Occupations

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

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

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

Still within the Boustead Group, he was appointed as Acting Chief Executive Officer of Boustead Properties Berhad and then as Deputy Managing Director in 2020 and 2021, respectively. In December 2022, Izaddeen was appointed as the Group Chief Executive Officer of Boustead.

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

ZULKIFLI JAFAR

Executive Director

Gender	Male
Age	51
Nationality	Malaysian

Appointed on	1 March 2024
Date of last re-election	13 June 2022

Board Committee(s)

None

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

None

Directorship in public companies

None

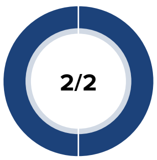
Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

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

None

Board Meetings attended in the financial year



Board Skills and Experience Matrix

Working Experience and Occupations

Zulkifli's career began as a legal counsel at Panglima Aces Sdn Bhd in 1997. Rapidly ascending the ranks, he distinguished himself as an advocate and solicitor at Messrs Raslan Loong within the same year and by 2002, Zulkifli became a partner at Messrs Rashid Zulkifli. Beyond his legal practice, Zulkifli serves as a director and major shareholder of MMA Resources Sdn Bhd, an oil & gas company.

In addition to his corporate responsibilities, Zulkifli is actively engaged in shaping the landscape of development and governance. Currently, he holds the positions of Chairman and Director at Era Universe Development Sdn Bhd, a development company.

Zulkifli had served as the Legal Advisor for Johor State Government Linked Companies (GLC). His diverse portfolio included directorships in esteemed organisations such as the Cooperative Commission of Malaysia, the regulator body of cooperatives in the country; Board of Trustee of the Foundation of Research and Transformation, an independent think tank research body of the Prime Minister's Office; and Songa Offshore Malaysia Sdn Bhd.

Internationally, Zulkifli was a director and management member of the Chartridge Conference Centre (UK) Limited, overseeing the operations of four hotels and conference centres in the United Kingdom.

In 2021, Zulkifli assumed the position of Chairman at Idaman Pharma Manufacturing Sdn Bhd, a subsidiary of Pharmaniaga Berhad (Pharmaniaga) and subsequently, appointed as the Executive Director of Pharmaniaga in March 2022. In February 2023, he was redesignated as Deputy Chief Executive Officer of Pharmaniaga.

On 1st March 2024, Zulkifli was appointed as the Executive Director of Pharmaniaga, taking over the role and functions of the Executive Committee which was subsequently dissolved.

Qualification(s)

- Admission to Malaysian Bar in 1996
- Advocate and Solicitor of the High Court of Malaya
- Certified Patent Agent
- Bachelor of Laws, Universiti Islam Antarabangsa Malaysia

DR. ABDUL RAZAK AHMAD

Senior Independent Non-Executive Director

Gender	Male
Age	52
Nationality	Malaysian

Appointed on	20 November 2020
Date of last re-election	12 June 2023

Board Committee(s)

- Chairman of Nominating and Remuneration Committee
- Chairman of Sustainability Committee
- Member of Audit Committee
- Member of Board Risk and Investment Committee

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

None

Directorship in public companies

None

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

None

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

None

Board Meetings attended in the financial year

Board Skills and Experience Matrix

Working Experience and Occupations

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

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

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

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

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

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

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

Qualification(s)

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

SARAH AZREEN ABDUL SAMAT

Independent Non-Executive Director

Gender	Female
Age	49
Nationality	Malaysian

Appointed on	20 August 2021
Date of last re-election	13 June 2022

Board Committee(s)

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

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

- Reneuco Berhad
- PT Millennium Pharmacon International Tbk

Directorship in public companies

None

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

None

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

None

Board Meetings attended in the financial year

Board Skills and Experience Matrix

Working Experience and Occupations

Sarah has over 22 years of experience in corporate finance transactions involving equity issuance, mergers and acquisitions, corporate restructuring and corporate valuation. She began her career in investment banking with Malaysian International Merchant Bankers Berhad in 2001 after obtaining her professional qualifications from PricewaterhouseCoopers.

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

Presently, Sarah sits as Executive Director of Reneuco Berhad and is also the Executive Director of 3p Capital Advisers Sdn. Bhd., a company licensed with the Securities Commission Malaysia that provides advisory services to the capital market players.

Qualification(s)

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

AHMAD SHAHREDZUAN MOHD SHARIFF

Non-Independent Non-Executive Director

Gender	Male
Age	41
Nationality	Malaysian

Appointed on	22 February 2023
Date of last re-election	None

Board Committee(s)

- Member of Audit Committee
- Member of Nominating and Remuneration Committee
- Member of Board Risk and Investment Committee
- Member of Sustainability Committee
- Member of Board Tender Committee

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

None

Directorship in public companies

None

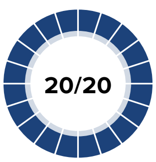
Any family relationship with Director and/or major shareholder of Pharmaniaga Berhad or any companies that have entered into any transactions with Pharmaniaga Berhad or its subsidiaries

None

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

None

Board Meetings attended in the financial year



Board Skills and Experience Matrix

Working Experience and Occupations

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

In 2019, he expanded his horizon by joining Boustead Holdings Berhad (Boustead) as Senior General Manager. He then rose in the ranks within the Boustead Group to Chief Transformation Officer in May 2020. In March 2021, Ahmad Shahredzuan was appointed as Chief Reinvention and Strategy Officer of Boustead and later redesignated to Group Chief Reinvention and Strategy Officer effective March 2023.

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

On 22 February 2023, he was appointed as Non-Independent Non-Executive Director of Pharmaniaga.

Qualification(s)

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

MOHAMMAD ASHRAF MD. RADZI

Non-Independent Non-Executive Director

Gender	Male
Age	46
Nationality	Malaysian

Appointed on	10 August 2023
Date of last re-election	None

Board Committee(s)
None

Details of any interest in the securities of Pharmaniaga Berhad
None

Directorship in other public listed companies
- Affin Bank Berhad

Directorship in public companies
None

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

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

Board Meetings attended in the financial year
4/4

Board Skills and Experience Matrix

Working Experience and Occupations

Mohammad Ashraf started his career at Ernst & Young, Ireland as an auditor in 2002. He then joined CUNA Mutual Life Assurance (Europe) Limited in Ireland as a Financial Accountant for the European region from 2005 to 2007 and then shifted his focus to the banking industry as a Regulatory Reporting Analyst with UBS Investment Bank, United Kingdom from 2007 to 2009.

In 2009, he set his footing in Malaysia by joining Prokhas Sdn Bhd as Associate Director for the Capital Market where he stayed until 2013. He then moved on to Johawaki Holdings Sdn Bhd where he was the General Manager of Finance Special Projects until 2015.

His depth of knowledge and experience in finance led him to become the Associate Director, Corporate Advisory and Structuring at MIDF Amanah Investment Bank from 2015 to 2016.

In 2016, Mohammad Ashraf join Ahmad Zaki Resources as General Manager on Corporate Finance before he was subsequently appointed as the Chief Financial Officer from 2017 to 2020.

He later joined Lembaga Tabung Angkatan Tentera (LTAT) in 2020 as the Chief Financial Officer. Subsequently, on 1 April 2024, he was appointed as the Chief Executive.

Mohammad Ashraf holds a Bachelor of Accountancy from Universiti Tenaga Nasional Malaysia and is a Chartered Accountant with the Malaysian Institute of Accountants as well as a member of the Association of Chartered Certified Accountants.

Qualification(s)
- Chartered Accountant, Malaysian Institute of Accountants
- Member of Association of Chartered Certified Accountants
- Bachelor of Accountancy (Hons), University Tenaga Nasional

DATO' MOHD ZAHIR ZAHUR HUSSAIN

Independent Non-Executive Director

Gender	Male
Age	48
Nationality	Malaysian

Appointed on	1 March 2024
Date of last re-election	None

Board Committee(s)
- Chairman of Board Risk and Investment Committee
- Member of Audit Committee
- Member of Board Tender Committee

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies
- Mycron Steel Berhad
- Olympia Industries Bhd

Directorship in public companies

None

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

None

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

None

Board Meetings attended in the financial year

N/A

Board Skills and Experience Matrix

Working Experience and Occupations

Dato' Mohd Zahir has over 27 years of experience in accounting, finance and asset management. He established his career as an auditor with various accounting firms including PricewaterhouseCoopers and Deloitte & Touche in both of its Malaysia and overseas offices. He was the Chief Financial Officer of Tracoma Holdings Berhad, a company focusing on the manufacturing of automotive components before appointed as the Audit Director for Baker Tilly Monteiro Heng. Dato' Mohd Zahir subsequently held the position of Head of Operations of Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad).

Dato' Mohd Zahir then joined Prasarana Malaysia Berhad (Prasarana) as the Group Chief Financial Officer and was promoted to Chief Executive Officer of Prasarana Integrated Development (PRIDE), a wholly-owned subsidiary of Prasarana. Dato' Mohd Zahir subsequently became the Managing Director of Zahir Irkaz Advisory PLT and then appointed as Managing Director and Group Chief Executive Officer of Destini Berhad.

Dato' Mohd Zahir graduated with a Bachelor of Commerce (Accounting) degree from the University of New South Wales, Australia. He attended Oxford Global CEO Programme at Said Business School, Oxford University, England. He is a Certified Financial Planner, a fellow of the Chartered Accountants Australia & New Zealand and a member of Malaysian Institute of Accountants.

Currently, Dato' Mohd Zahir is the Chairman of Universiti Malaya Medical Centre and the Independent Non-Executive Director and Audit Committee Chairman of Universiti Malaya. He also sits as a Independent Non-Executive Director of Mycron Steel Berhad and Olympia Industry Berhad.

Qualification(s)
- Certified Financial Planner
- Fellow, Chartered Accountants Australia & New Zealand
- Degree in Bachelor of Commerce (Accounting), University of New South Wales, Australia

DATO' DR. FARIDAH ARYANI MD. YUSOF

Independent Non-Executive Director

Gender	Female
Age	62
Nationality	Malaysian

Appointed on	1 March 2024
Date of last re-election	None

Board Committee(s)

- Member of Nominating and Remuneration Committee
- Member of Sustainability Committee
- Member of Board Risk and Investment Committee

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

None

Directorship in public companies

None

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

None

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

None

Board Meetings attended in the financial year

N/A

Board Skills and Experience Matrix

Working Experience and Occupations

Dato' Dr. Faridah brings to the Board over 37 years of experience in pharmaceutical industry involving pharmacy development, regulatory compliance and drug management.

Dato' Dr. Faridah started her career with the National Pharmaceutical Control Bureau in 1986 upon graduating with a Bachelor's degree in Pharmacy from the Universiti Sains Malaysia. She has held several important posts in the Government sector, namely at the Ministry of Health, Kuala Lumpur Hospital and the National Pharmaceutical Regulatory Agency. Upon her departure from the Ministry, she was appointed as an Academic Fellow at the School of Pharmaceutical Sciences, Universiti Sains Malaysia from June 2021 to May 2023.

In addition to her degree and Diploma in Medical Microbiology from the Institute for Medical Research, Dato' Dr. Faridah received her Master of Science degree in Pharmaceutical Services and Medicines Control from the University of Bradford, United Kingdom. She later pursued and received her Doctor of Philosophy (Ph.D) in Pharmacoeconomics from the Universiti Sains Malaysia in 2006.

Qualification(s)

- Doctor of Philosophy (Ph.D) in Pharmacoeconomics, Universiti Sains Malaysia
- Master of Science in Pharmaceutical Services and Medicines Control, University of Bradford, United Kingdom
- Diploma in Medical Microbiology, Institute for Medical Research, Malaysia
- Bachelor of Pharmacy (Honours), Universiti Sains Malaysia

DRS. IMAM FATHORRAHMAN

Independent Non-Executive Director

Gender	Male
Age	59
Nationality	Indonesian
Appointed on	1 March 2024
Date of last re-election	None

Board Committee(s)

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

Details of any interest in the securities of Pharmaniaga Berhad

None

Directorship in other public listed companies

None

Directorship in public companies

None

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

None

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

None

Board Meetings attended in the financial year

N/A

Board Skills and Experience Matrix

Working Experience and Occupations

Drs. Imam brings a wealth of experience and expertise to the Board, backed by a strong educational foundation and decades of professional journey in the pharmaceutical industry.

With extensive expertise spanning marketing and sales strategy, business strategy, retail, pharmaceuticals, business development, and healthcare, he brings a multifaceted skill set to the boardroom, poised to drive strategic initiatives and propel organisational success to new heights.

Having earned a Bachelor's degree in Pharmacy in 1989, Drs. Imam embarked on a career journey in the pharmaceutical line. Fuelled by a passion for innovation and strategic foresight, he pursued a Master's in Strategic Management to equip himself with the knowledge and skills necessary for navigating the complexities of modern business landscapes.

In 2011, he was made the Managing Director of PT Kimia Farma Apotek. Subsequently, Drs. Imam's transition to the role of Business Development Director at PT Kimia Farma Tbk in 2019, demonstrated his versatility and ability to adapt to new challenges and provided him with invaluable insights into forging strategic partnerships and driving sustainable growth initiatives.

Recognised for his exceptional contributions, Drs. Imam assumed the position of Marketing & Commercial Director in 2021, further highlighting his proficiency in creating robust marketing and sales strategies to grasp the evolving market dynamics.

Throughout his illustrious career, Drs. Imam has been instrumental in clinching numerous accolades in the pharmaceutical sector in Indonesia, especially in marketing.

Qualification(s)

- Masters in Strategic Management, PPM Higher Management School, Indonesia
- Degree in Pharmacy, University of Airlangga, Indonesia

OUR APPRECIATION

YB SENATOR DATUK DR. HAJI AZHAR AHMAD
Independent Non-Executive Director
10 June 2023

DATUK LIM THEAN SHIANG
Independent Non-Executive Director
12 June 2023

DR. MARY JANE CARDOSA
Independent Non-Executive Director
12 June 2023

DAYANA ROGAYAH OMAR
Non-Independent Non-Executive Director
(Alternate to Mohammad Ashraf Md. Radzi)
14 February 2024

SENIOR MANAGEMENT TEAM

Sitting from left to right:

ZULKIFLI JAFAR
Executive Director
As expressed on page 131 of the Profile of Directors

ABDUL MALIK MOHAMED
Executive Vice President,
Logistics & Distribution Division

Standing from left to right:

IDHAM ISMAIL
Chief Strategy Officer

DR BADARULHISAM ABDUL RAHMAN
Chief Scientific Officer

ZULHAZRI RAZALI
Executive Vice President,
Commercial Division

NORAI'NI MOHAMED ALI
Chief Financial Officer

SENIOR MANAGEMENT TEAM

Sitting from left to right:

WAN INTAN IDURA WAN ISMAIL
Executive Vice President,
Corporate Governance

DATUK AZNI HASAN BASRI
Chief People Officer (Interim)

Standing from left to right:

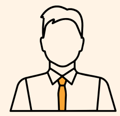
MOHD IZWAN ISHAK
Acting Head of Manufacturing Operations

PIPING PRATAMADITA
President Director, PT Errita Pharma

AHMAD ABU BAKAR
President Director,
PT Millennium Pharmacon International Tbk

11

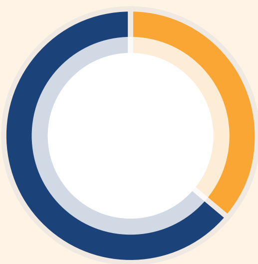
Senior Management



8 Male

3 Female

Age Diversity



PROFILE OF SENIOR MANAGEMENT TEAM

NORAI'NI MOHAMED ALI
Chief Financial Officer

Gender	Age	Nationality
Female	57	Malaysian

Date of Appointment to present position
1 June 2012

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

Her professional career with the Company spans more than 23 years. She is an accomplished talent who oversees all financial matters, including acquisition of strategic business, treasury, taxation, risk management strategies and formulation of financial policies and tax planning of Pharmaniaga.

Norai'ni joined the Company in 2001 as a Deputy General Manager of Finance. Subsequently, she was appointed as CFO in 2012 and presently sits on a few of the Boards subsidiaries of Pharmaniaga.

Prior to joining the Company, Norai'ni was attached to Opus Group Berhad, a subsidiary of UEM Group Berhad, for eight years. A Chartered Accountant and a fellow member of Association of Chartered Certified Accountant (FCCA), Norai'ni is also a member of the Malaysian Institute of Accountant (MIA) and the ASEAN Chartered Professional Accountants (ASEAN CPA).

Qualification(s)
- Fellow, Association of Chartered Certified Accountants (FCCA)
- Chartered Accountant, Malaysia Institute of Accountants (MIA)
- ASEAN Chartered Professional Accountants (ASEAN CPA)
- Bachelor of Arts (Honours), Accounting and Finance, Liverpool John Moores University, United Kingdom

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

IDHAM ISMAIL
Chief Strategy Officer

Gender	Age	Nationality
Male	50	Malaysian

Date of Appointment to present position
18 July 2022

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

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

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

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

Qualification(s)
- Master of Finance, RMIT University, Australia
- BSc (Hons) in Engineering Mathematics, University of Bristol, United Kingdom

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

DR BADARULHISAM ABDUL RAHMAN
Chief Scientific Officer

Gender	Age	Nationality
Male	56	Malaysian

Date of Appointment to present position
1 January 2023

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

He was also instrumental in establishing Pharmaniaga's Group-wide sustainability programme, which he headed from 2017 to 2022. He is a qualified Biochemical Engineer with expertise in Biochemical Engineering and Biotechnology.

He completed his Advanced Diploma and Master of Science at University College of London in the United Kingdom. Subsequently, he obtained his PhD from Johns Hopkins University in the United States of America.

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

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

Qualification(s)
- PhD in Biotechnology, Johns Hopkins University
- MSc in Biochemical Engineering, University College London, United Kingdom
- Advanced Diploma in Biochemical Engineering, University College London, United Kingdom

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

DATUK AZNI HASAN BASRI
Chief People Officer (Interim)

Gender	Age	Nationality
Female	59	Malaysian

Date of Appointment to present position
15 November 2023

Datuk Azni is a highly experienced HR practitioner with over 30 years of human resources management experience with government agencies and private sectors.

Datuk Azni started her career with Projek Lebuhraya Utara Selatan Berhad in 1990, as Head of Human Resources (Central Region). Subsequently, she became the Head of Training & IR at Johnson & Johnson Medical Manufacturing Sdn. Bhd. She then continued her career as Head of Human Resources at City Television Sdn. Bhd. in 1994 and later at Asia Pacific Auction Centre Sdn. Bhd. from 2000 to 2005.

Datuk Azni joined the government agency, Biotechnology Corporation Berhad in 2005 as Senior Vice President, Human Resources and subsequently appointed as Senior Vice President, Human Capital at Perbadanan PR1MA Malaysia from 2012 to 2019 before she joined Boustead Holdings Berhad as Group Chief People Officer in 2021.

Datuk Azni graduated with a Bachelor of Business Administration from the University of Missouri, Kansas City, United States of America.

Qualification(s)
- Bachelor of Business Administration, University of Missouri, Kansas City, United States of America

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

ABDUL MALIK MOHAMED
Executive Vice President, Logistics & Distribution Division

Gender	Age	Nationality
Male	59	Malaysian

Date of Appointment to present position
1 April 2011

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

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

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

Qualification(s)
- Bachelor of Science in Computer Science and Management, Universiti Sains Malaysia

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

ZULHAZRI RAZALI
Executive Vice President, Commercial Division

Gender	Age	Nationality
Male	57	Malaysian

Date of Appointment to present position
1 June 2014

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

He was promoted as the Commercial Director in 2014. He oversees the Sales & Marketing Division and identifies strategic business potential for the Group's healthcare portfolios in local private and Government sectors. He provides extensive leadership by effectively communicating strategic goals and plans and drives operational efficiency profitably.

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

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

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

WAN INTAN IDURA WAN ISMAIL
Executive Vice President,
Corporate Governance

Gender	Age	Nationality
Female	44	Malaysian

Date of Appointment to present position
1 July 2021

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

She continued to expand her career in Pharmaniaga by developing relevant skills and knowledge and was promoted as Deputy Director, Corporate Governance Division in 2017 and subsequently as Director on 1 July 2021. She has been appointed as the Company Secretary of Pharmaniaga Berhad on 19 November 2019 and is responsible for all legal and secretarial services of the Company.

She was admitted to the Malaysian Bar in 2006. With more than 18 years of experience as an in-house legal counsel, she has vast experience in both local and international dealings within the pharmaceutical, information technology solutions, manufacturing and automotive industries.

Qualification(s)
- Licensed Company Secretary (LS 0010668)
- Admission to Malaysian Bar in 2006
- Bachelor of Laws (Honours), Universiti Teknologi MARA

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

MOHD IZWAN ISHAK
Acting Head of Manufacturing Operations

Gender	Age	Nationality
Male	45	Malaysian

Date of Appointment to present position
1 February 2024

Mohd Izwan has been with Pharmaniaga for the past 13 years and held several roles, starting from Head of Production Section up to General Manager of Pharmaniaga Manufacturing Berhad, prior to being appointed as the Acting Head of Manufacturing Operations of the Manufacturing Division effective 1 February 2024.

With over 23 years of experience under his belt in the pharmaceutical industry, he presently leads the four plants located throughout Malaysia. Apart from overseeing superior supply performance and continuous improvement activities of each plant, he led the capacity balancing improvement including the readiness of manufacturing facilities, utilities, equipment and developed organisational capability.

Prior to joining Pharmaniaga, Mohd Izwan was a New Product Development Manager at GlaxoSmithKline (M) Sdn. Bhd.

Mohd Izwan is an active member of various pharmaceutical societies, both locally and internationally, such as the International Society for Pharmaceutical Engineering (ISPE) and a member of the Malaysian Organisation of Pharmaceutical Industries (MOPI).

Qualification(s)
- Bachelor of Accounting (Honours), Universiti Putra Malaysia

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

AHMAD ABU BAKAR
President Director, PT Millennium Pharmacon International Tbk

Gender	Age	Nationality
Male	55	Malaysian

Date of Appointment to present position
16 July 2020

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

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

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

Ahmad has more than 30 years of pharmaceutical experience and has worked in various fields of pharmacy; namely retail and wholesale pharmacy, manufacturing, private hospital, pharmaceuticals' logistics and distribution field and part-time teaching of students pursuing a diploma in Pharmacy.

Qualification(s)
- Bachelor of Pharmacy (Honours), University of Bradford, United Kingdom

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

PIPING PRATAMADITA
President Director, PT Errita Pharma

Gender	Age	Nationality
Male	49	Indonesian

Date of Appointment to present position
9 May 2022

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

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

Qualification(s)
- Bachelor of Marketing Management, Gadjah Mada University, Indonesia

Any directorship in public companies and public listed companies	None
Any family relationship with any director and/major shareholder of the Company	None
Any conflict of interests with the Company	None
Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any	None

CORPORATE INFORMATION

BOARD OF DIRECTORS

IZADDEEN DAUD
Non-Independent Non-Executive Chairman

ZULKIFLI JAFAR
Executive Director

DR. ABDUL RAZAK AHMAD
Senior Independent Non-Executive Director

SARAH AZREEN ABDUL SAMAT
Independent Non-Executive Director

AHMAD SHAHREDZUAN MOHD SHARIFF
Non-Independent Non-Executive Director

MOHAMMAD ASHRAF MD. RADZI
Non-Independent Non-Executive Director

DATO' MOHD ZAHIR ZAHUR HUSSAIN
Independent Non-Executive Director

DATO' DR. FARIDAH ARYANI MD. YUSOF
Independent Non-Executive Director

DRS. IMAM FATHORRAHMAN
Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Sarah Azreen Abdul Samat

MEMBERS
Dr. Abdul Razak Ahmad
Ahmad Shahredzuan Mohd Shariff
Dato' Mohd Zahir Zahur Hussain
Drs. Imam Fathorrahman

NOMINATING AND REMUNERATION COMMITTEE

CHAIRMAN
Dr. Abdul Razak Ahmad

MEMBERS
Sarah Azreen Abdul Samat
Ahmad Shahredzuan Mohd Shariff
Dato' Dr. Faridah Aryani Md. Yusof
Drs. Imam Fathorrahman

BOARD RISK AND INVESTMENT COMMITTEE

CHAIRMAN
Dato' Mohd Zahir Zahur Hussain

MEMBERS
Sarah Azreen Abdul Samat
Dr. Abdul Razak Ahmad
Ahmad Shahredzuan Mohd Shariff
Dato' Dr. Faridah Aryani Md. Yusof

SUSTAINABILITY COMMITTEE

CHAIRMAN
Dr. Abdul Razak Ahmad

MEMBERS
Ahmad Shahredzuan Mohd Shariff
Dato' Dr. Faridah Aryani Md. Yusof
Drs. Imam Fathorrahman

BOARD TENDER COMMITTEE

CHAIRMAN
Sarah Azreen Abdul Samat

MEMBERS
Ahmad Shahredzuan Mohd Shariff
Drs. Imam Fathorrahman
Dato' Mohd Zahir Zahur Hussain

COMPANY SECRETARIES

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

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

Level 23, The Bousteador,
No. 10, Jalan PJU 7/6, Mutiara Damansara
47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel. No. : +603-2141 9044
Fax. No. : +603-2141 9750

BUSINESS ADDRESS

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

PRINCIPAL BANKERS

Bank Muamalat Malaysia Berhad
Bank Islam Malaysia Berhad
Affin Islamic Bank Berhad
United Overseas Bank (Malaysia) Bhd

AUDITORS

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

SHARE REGISTRAR

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25(1) OF THE MAIN MARKET LISTING REQUIREMENTS (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA MALAYSIA))

At Pharmaniaga Berhad (Pharmaniaga), we recognise that effective corporate governance is fundamental to our success, sustainability and ability to create long terms value for all stakeholders. As such, the Board is committed to upholding the highest standards of transparency, accountability, integrity, and ethical conduct in all aspects of our operations.

Our corporate governance practices are designed to ensure that we operate in a manner that is consistent with the interests of our shareholders, employees, customers, suppliers, and the communities in which we operate. By adhering to best practices and continuously evaluating and enhancing our governance framework, we aim to maintain the trust and confidence of our stakeholders while driving sustainable growth and delivering value over the long term.

In this Corporate Governance Overview Statement, we set out the principal features of Pharmaniaga and its subsidiaries' (collectively, the Group) corporate governance approach, summary of corporate governance practices during the year under review, as well as key focus areas and future priorities in relation to corporate governance. Guidance was drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia.

The Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on a prescribed format as enumerated in Paragraph 15.25(2) of the MMLR so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG). The updated MCCG dated 28 April 2021 introduced a number of new practices and guidance to listed issuers with the aim of strengthening their corporate governance culture.

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

CORPORATE GOVERNANCE APPROACH

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

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

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

In manifesting the Group's commitment to sound corporate governance, the Group has benchmarked its practices against the relevant promulgations as well as other best practices. Pharmaniaga has applied all the Practices encapsulated in the MCCG for the financial year ended 31 December 2023 with the exception of:

- **Practice 5.2:** At least half of the Board composition comprises of independent directors;
- **Practice 5.9:** 30% women Directors in the Boardroom; and
- **Practice 8.2:** Disclosure of the top five Senior Management personnel's remuneration on a named basis in bands of RM50,000.

In line with the latitude accorded in the application mechanism of the MCCG, the Company has provided explanations for the departures from the said Practices, supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Although the Company does not meet the requirement under Practice 5.2 of the MCCG during the financial year under review, the Company is in compliance with the requirement set under the Main Market Listing Requirement. Further details on the application of each individual Practice of the MCCG are available in the Corporate Governance Report.

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

BOARD'S ROLES AND RESPONSIBILITIES

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

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

a. Reviewing and adopting a strategic plan
b. Monitoring the conduct of business
c. Reviewing the adequacy and integrity of information and internal control systems and identifying principal risks and implementation of appropriate internal controls and mitigation measures
d. Reviewing and adopting a strategic plan which supports long-term value creation and business sustainability
e. Succession planning
f. Ensuring effective communication with stakeholders

The roles of the Chairman and Chief Executive Officer (CEO) are separate and clearly defined and are held by two distinct parties. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with a focused approach, facilitates efficiency and expedites informed decision making. Whilst the Chairman provides leadership to the Board, the responsibility for the overall business and day-to-day management of Pharmaniaga for the financial year ended 31 December 2023 was delegated to the Executive Committee (EXCO) following the resignation of former CEO, Datuk Zulkarnain Md Eusope. Since then, the role and functions of CEO has been replaced by the Executive Committee (EXCO), led by Ahmad Shahredzuan Mohd Shariff (Chairman/Non-Independent Non-Executive Director) and supported by Zulkifli Jafar (Deputy CEO), Mohamed Iqbal Abdul Rahman (Chief Operating Officer) and Norai'ni Mohamed Ali (Chief Financial Officer). EXCO members have been delegated certain powers to execute transactions that are guided by rules and procedures and in accordance with the authority limits as defined and formalised.

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

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

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

BOARD

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

AC

AUDIT COMMITTEE

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

BTC

BOARD TENDER COMMITTEE

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

BRIC

BOARD RISK AND INVESTMENT COMMITTEE

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

NRC

NOMINATING AND REMUNERATION COMMITTEE

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

SC

SUSTAINABILITY COMMITTEE

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

EXCO **EXECUTIVE COMMITTEE**

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

RISK MANAGEMENT WORKGROUP COMMITTEE (RMWC)

HEAD OF INTERNAL AUDIT

GOVERNANCE FRAMEWORK

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

The table above illustrates the Group's governance structure and an overview of the key Board Committees and Management Committees for the financial year ended 31 December 2023.

As depicted in the table, the Board is assisted by five Board Committees in its oversight function with reference to specific responsibility areas. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance.

The Board has formalised a Board Charter which serves as the primary source of reference on the governance together with roles and responsibilities of the Board, Board Committees and individual Directors. The Board Charter is available on the Group's website, **www.pharmaniaga.com**.

ATTENDANCE AT BOARD MEETINGS

In accordance with the Company's Constitution, the Board is required to meet at least four (4) times a year. The dates of these scheduled meetings are determined well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to deliberate urgent matters. All Directors attended at least 75% of all Board meetings held during the financial year under review. Members of the Senior Management were also invited to attend selected Board meetings to support the Board with further information on the matters being deliberated.

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

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

The attendance of individual Directors at Board and Board Committees meetings during the financial year ended 31 December 2023 is outlined below:

Director	Board	AC	NRC	SC	BRMC	BTC
Managing Director						
Datuk Zulkarnain Md Eusope [1]	2/2	-	-	-	-	-
Executive Director						
Zulkifli Jafar [2]	2/2	-	-	-	-	-
Non-Independent Non-Executive Chairman						
Izaddeen Daud [3]	21/22	1/1	-	-	-	-
Datuk Seri Zainal Abidin Mohd Rafique [4]	1/1	-	-	-	-	-
Senior Independent Non-Executive Director						
Dr. Abdul Razak Ahmad [5]	22/22	10/10	7/7	2/2	3/3	-
Independent Non-Executive Director						
YB Senator Datuk Dr. Haji Azhar Ahmad [6]	10/13	-	-	1/1	-	-
Dato' Dr. Najmil Faiz Mohamed Aris [7]	1/1	-	-	-	-	1/1
Sarah Azreen Abdul Samat	22/22	10/10	7/7	-	3/3	1/1
Datuk Lim Thean Shiang [8]	14/14	4/5	5/5	-	1/2	1/1
Dr. Mary Jane Cardosa [9]	10/14	-	-	2/2	1/1	-
Non-Independent Non-Executive Director						
Ahmad Shahredzuan Mohd Shariff [10]	20/20	8/8	6/6	1/1	2/2	-
Mohammad Ashraf Md. Radzi [11]	4/4	-	-	-	-	-

Board/Board Committee Chairman Member

[1] *Redesignated from Managing Director to Chief Executive Officer on 22 February 2023. Resigned as Chief Executive Officer w.e.f 14 March 2023.*
[2] *Redesignated from Executive Director to Deputy Chief Executive Officer on 22 February 2023. Reappointed as Executive Director on 1 March 2024.*
[3] *Appointed as Chairman of the Company w.e.f 22 February 2023.*
[4] *Resigned as Chairman of the Company w.e.f 31 January 2023.*
[5] *Redesignated as Senior Independent Non-Executive Director w.e.f 22 February 2023.*
[6] *Resigned as Independent Non-Executive Director w.e.f 10 June 2023.*
[7] *Resigned as Independent Non-Executive Director w.e.f 31 January 2023.*
[8] *Retired as Independent Non-Executive Director w.e.f 12 June 2023.*
[9] *Retired as Independent Non-Executive Director w.e.f 12 June 2023.*
[10] *Appointed as Non-Independent Non-Executive Director on 22 February 2023.*
[11] *Appointed as Non-Independent Non-Executive Director on 10 August 2023.*

BOARD COMPOSITION

During the financial year under review, the Board saw changes to its composition. On 22 February 2023, Datuk Zulkarnain Md Eusope was redesignated from Managing Director to Chief Executive Officer (CEO), and Encik Zulkifli Jafar was redesignated from Executive Director to Deputy Chief Executive Officer. Encik Ahmad Shahredzuan Mohd Shariff was appointed as Non-Independent Non-Executive Director on the same date.

On 14 March 2023 Datuk Zulkarnain Md Eusope resigned as Company's Chief Executive Officer. Datuk Lim Thean Shiang and Dr. Mary Jane Cardosa, both Independent Non-Executive Directors retired at the end of the Company's last AGM on 12 June 2023.

The Board welcomed Encik Mohammad Ashraf Md. Radzi as Non-Independent Non-Executive Director and Puan Dayana Rogayah Omar (alternate Director to Encik Mohammad Ashraf Md. Radzi) on 10 August 2023. However, Puan Dayana Rogayah Omar resigned as alternate director on 14 February 2024 to pursue other interest. There were also changes to the Company’s Board composition in 2024 with the appointment of Dato’ Mohd Zahir Zahur Hussain, Dato’ Dr. Faridah Aryani Md. Yusof and Drs. Imam Fathorrahman, all of whom appointed as Independent Non-Executive Directors on 1 March 2024. Following the dissolution of the Executive Committee, Encik Zulkifli Jafar was appointed as Executive Director, also with effect from 1 March 2024.

At the date of this Integrated Report, the Board now consists of nine (9) Directors, five (5) of whom are Independent Non-Executive Directors. Presently, the Board has two (2) female Directors. The Nominating and Remuneration Committee (NRC) and the Board fully recognise the need to re-balance the Board and have factored this into their succession planning. Nonetheless, whilst sufficient emphasis is placed on recruiting women Directors, appointments to the Board will be based on merits and credentials of each candidate under evaluation.

In accordance with the Company’s Constitution, one-third of the Directors shall retire from office at every annual general meeting and all Directors shall retire at least once in every three (3) years. If eligible, retiring Directors may offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointments.

The Board strives to ensure that it has an appropriate and collective mix of skills, qualifications, expertise, diversity to add value to Board processes and decisions. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

The oversight on the overall composition of the Board and Board Committees resides within the NRC. Appointments to the Board are made via a formal rigorous and transparent process. The NRC is guided by qualitative and quantitative criteria when assessing the suitability of Directors for nomination, such as qualifications, skills, experiences, professionalism, integrity and diversity. In the case of Independent Non-Executive Directors, the NRC assesses the candidate’s ability to bring the element of detached impartiality and objective judgment to the boardroom deliberations.

The Board, with the assistance of the NRC, regularly assesses the skills, experiences, independence and diversity required collectively for the Board to effectively fulfil its roles.

The Board was satisfied that there was mutual respect amongst Directors which contributed to a democratic environment that allowed for constructive deliberations and a robust decision-making process. The Board reviews and evaluates annually its performance and that of the Board Committees as well as individual Directors based on a set of predetermined criteria in a process that is facilitated by the NRC.

INDEPENDENCE OF THE BOARD

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

At the date of this Integrated Report, all five (5) Independent Non-Executive Directors satisfy the following criteria:

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

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

BOARDROOM DIVERSITY

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

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

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

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

The Board further acknowledges the benefits of having diversity in the boardroom in terms of age demographics, which would create professional environments that are rich with experience and maturity as well as youthful exuberance.

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

INDUCTION PROGRAMME

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

The Company has arranged for newly appointed and existing Directors to attend the Mandatory Accreditation Programme (MAP) Part I focusing on corporate governance, including director's roles, duties and liabilities as well as other obligations under the Listing Requirement; and MAP Part II, a new mandatory onboarding programme on sustainability for directors of Public Listed Companies.

REMUNERATION

The Board delegates to the NRC the responsibility to set the overarching principles, parameters and governance framework relating to the Group's remuneration matters. To attract and retain high calibre Directors and Senior Management in order to run the business successfully, Pharmaniaga aims to set remuneration at levels that are sufficient, taking into consideration all relevant factors including the function, workload and responsibilities involved. The Board acknowledges the importance of motivating quality people to lead, manage and serve the Company in a competitive environment. Hence, the appropriate level of remuneration is essential to enhance the long-term interests of the stakeholders.

A review on the quantum and composition of C-Suite and Senior Management's remuneration is undertaken on an annual basis to reflect the experience and level of responsibilities undertaken, while review for Non-Executive Directors may be reviewed from time to time, as may be determined by the Board.

The details for the remuneration of Directors for the financial year ended 31 December 2023 for the Group are as tabulated in the next page.

Director	Fees		Salaries	Bonuses	EPF	Benefit in Kind	Other Allowances		Total	
	Group RM	Company RM	Group & Company RM	Group & Company RM	Group & Company RM	Group & Company RM	Group RM	Company RM	Group RM	Company RM
Group Managing Director										
Datuk Zulkarnain Md Eusope	-	-	281,935	-	32,466	1,227	12,258	12,258	327,886	327,886
Zulkifli Jafar	-	-	140,000	-	18,769	1,050	8,750	8,750	168,569	168,569
Non-Executive Directors										
Datuk Seri Zainal Abidin Mohd Rafique	14,167	14,167	-	-	-	-	3,000	3,000	17,167	17,167
Izaddeen Daud	160,810*	160,810*	-	-	-	-	32,000*	32,000*	192,810*	192,810*
YB Senator Datuk Dr. Haji Azhar Ahmad	60,054	42,222	-	-	-	-	14,000	12,500	74,054	54,722
Dato' Dr. Najmil Faiz Mohamed Aris	10,917	8,417	-	-	-	-	4,500	4,500	15,417	12,917
Dr. Abdul Razak Ahmad	178,800	140,042	-	-	-	-	55,500	50,000	234,300	190,042
Sarah Azreen Abdul Samat	161,168	131,168	-	-	-	-	65,000	50,500	226,168	181,668
Datuk Lim Thean Shiang	54,450	54,450	-	-	-	-	26,500	26,500	80,950	80,950
Dr. Mary Jane Cardosa	43,200	43,200	-	-	-	-	13,000	13,000	56,200	56,200
Ahmad Shahredzuan Mohd Shariff	100,053*	100,053*	-	-	-	-	36,000*	36,000*	136,053*	136,053*
Mohammad Ashraf Md. Radzi	35,323**	35,323**	-	-	-	-	4,000	4,000	39,323	39,323
Total	**818,942**	**729,852**	**421,935**	**-**	**51,235**	**2,277**	**274,508**	**253,008**	**1,568,897**	**1,458,307**

* *Directors' fees and allowances paid to Boustead Holdings Berhad*
** *Directors' fees paid to Lembaga Tabung Angkatan Tentera*

BOARD CONDUCT

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

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

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

MATTERS RESERVED FOR THE BOARD

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

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

OUR SUSTAINABILITY COMMITMENT

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

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

A designated senior employee is tasked to manage the Company's sustainability governance and integrating sustainability considerations in our operations.

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

AUDIT COMMITTEE

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

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

The members of the AC are equipped with vast experience from various industries and are capable of providing sound advice to the Board not only in terms of financial reporting but also on internal audit and the state of the Company's risk and internal control environment. The AC has full access to internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The Terms of Reference of the AC are available on the Company's corporate website.

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

BOARD RISK AND INVESTMENT COMMITTEE

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

The composition of the BRIC, its duties and responsibilities are set out in the Corporate Governance Report. The BRIC oversees the adequacy of risk management within the Group. It also assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the BRIC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group. It is also to review all investments and project business cases proposed to be made by the Company before making appropriate recommendation to the Board for approval.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

Financial Reporting

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

The Statement of Directors' Responsibility for Preparation of Financial Statements is set out on page 174.

Risk Management and Internal Control

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

Further information on the Group's risk management and internal control framework is set out in the Statement on Risk Management and Internal Control of the Integrated Report on pages 159 to 168.

BOARD TENDER COMMITTEE

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

COMMUNICATION WITH STAKEHOLDERS

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

Our annual investor relations engagement programme ordinarily includes one to one meetings, plants or site visits, analysts' briefings, the Annual General Meeting as well as participation in conferences and roadshows.

During the financial year under review, the EXCO members and other members of Senior Management have also hosted the Company's analyst briefing for our financial results, during which participants were updated on our operational, commercial and financial performance.

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

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two- way communication to improve disclosure and transparency. Communication and feedback from stakeholders can be directed to the key contact person of the Company as follows:

Idham Ismail
Chief Strategy Officer
Tel : +603-3342 9999
E-mail : **investor.relations@pharmaniaga.com**

GROUP CORPORATE WEBSITE

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

ANNUAL GENERAL MEETINGS

The Group is of the view that Annual General Meetings (AGM) are important two-way platforms to engage with its shareholders as well as to address their concerns. All Directors attended last year's AGM except for Datuk Lim Thean Shiang and Dr Mary Jane Cardosa who retires at the end of the AGM.

The Company's 25th AGM which was held on 12 June 2023 was attended by shareholders, through live streaming via the Remote Participation and Voting (RPV) facilities provided by the Group's share registrar i.e. Tricor Investor & Issuing House Services Sdn Bhd as Independent Scrutineer for conduct of poll via e-Vote application. Shareholders who participated via remote participation were able to submit questions during the AGM for the Company to respond. Shareholders are encouraged to take advantage of the said technology to participate in the upcoming 26th AGM of the Company.

NOTICE OF 26TH ANNUAL GENERAL MEETING

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

Date: 5 June 2024 (Wednesday)

Time: 9.30 a.m.

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

There was active engagement between the Board and shareholders and there was an opportunity for shareholders to have real-time interaction with the Board and EXCO members. The Chairman and EXCO members answered questions raised by shareholders and provide written answers to questions that cannot be readily answered. Answers to the questions by the Minority Shareholder Watchdog Group prior to the AGM were also shared with the shareholders and the same were uploaded onto the website prior to the AGM day.

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

INTEGRITY AND ETHICS

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

Code of Ethics and Conduct

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

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

Anti-Bribery and Corruption Policy

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

Whistleblowing Policy

The Company has established its Whistleblowing Policy which provides an avenue for the Group's employees and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy. To lodge a report for any improper conduct, please email to **whistleblow@pharmaniaga.com** and/or to the Audit Committee Chairman and/or to the Senior Independent Non-Executive Director. The email addresses of the Audit Committee Chairman and the Senior Independent Non-Executive Director can be found on the Group's corporate website at **www.pharmaniaga.com**. The policy and procedures are accessible to the public on the Company's corporate website.

Trading on Insider Information

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

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

PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

During the financial year under review, Directors attended various training programmes to keep themselves abreast of changes in legislative promulgations and industry practices. To enhance their knowledge and performance, the Board members attended as many training sessions as they possibly could to facilitate them in discharging their duties effectively.

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

Name	Programme Title & Organiser	Date
Izaddeen Daud	Board of Director Leadership – ESG Essentials	21 - 22 March 2023
	Pharmaniaga Berhad Board Retreat 2023	27 October 2023
Dr. Abdul Razak Ahmad	Pharmaniaga Berhad Board Retreat 2023	27 October 2023
	Mandatory Accreditation Programme Part II: Leading For Impact (LIP)	6 - 7 December 2023
Sarah Azreen Abdul Samat	Pharmaniaga Berhad Board Retreat 2023	27 October 2023
Ahmad Shahredzuan Mohd Shariff	Malaysia Venture Building Forum	24 February 2023
	Humility Leadership by Prof. Tan Sri Dr Jemilah Mahmood	17 May 2023
	ESG & Leadership Talk – Formula for a Sustainable Future	2 August 2023
	Pharmaniaga Berhad Board Retreat 2023	27 October 2023
	ESG Evolve 2023	21 - 23 November 2023
Mohammad Ashraf Md. Radzi	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	19 - 20 September 2023
	The Financial Institutions Director's Education (FIDE) Core Programme Module A: Bank	2 - 5 October 2023
	The Financial Institutions Director's Education (FIDE) Core Programme Module B: Bank	16 - 18 October 2023
	Pharmaniaga Berhad Board Retreat 2023	27 October 2023
	Islamic Finance for Board of Director	1 - 2 November 2023
	Strategic Leadership Programme	3 - 8 December 2023

CORPORATE GOVERNANCE PRIORITIES

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), the Board is pleased to provide the Statement on Risk Management and Internal Control for the financial year ended 31 December 2023 which was prepared in accordance with Practice 10.1 and 10.2 of the Malaysian Code on Corporate Governance (MCCG) and the Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

RESPONSIBILITIES AND ACCOUNTABILITIES

BOARD ACCOUNTABILITY

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

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

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

During FY2023, three (3) BRIC meetings[1] were held on 9 February, 11 May and 9 November to assess and discuss the Group's risks particularly on the adequacy and effectiveness of risk management processes. The BRIC reviewed the controls and actions in place to manage and mitigate the overall Group's risk exposure, including emerging risks, as well as raised issues of concerns and recommended mitigating actions. The BRIC is also responsible for assisting and reporting to the Board, matters deemed critical to the organisation's controlling processes and risk management activities, including implementing the appropriate systems to manage risks. The Board, through the BRIC, maintains risk oversight for the Group.

MANAGEMENT RESPONSIBILITY

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

In Pharmaniaga, risk management is integrated into business planning, investment decisions, internal control and day-to-day operations to enhance ownership and agility in managing risks. The responsibility for day-to-day risk management resides with the Management of each function/business unit, where they are the risk owners and accountable for managing and assessing the risks identified.

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

[1] *Only 3 meetings were held in 2023 due to inadequate BRIC quorum in Q3 2023. For Q3, the risk report was presented directly to the Board on 10 August 2023.*

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

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

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

KEY ELEMENTS OF RISK MANAGEMENT FRAMEWORK

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

The Management, through the Risk Management Committee (RMC), is entrusted with the responsibility of implementing and maintaining the Group's ERM Framework. The RMC is chaired by the Deputy Chief Executive Officer[2] and supported by the Heads of Divisions. The Group's ERM Framework comprises the following key attributes:

Risk Governance and Strategy

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

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
(Risk Taking) Primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risk through effective controls.	***(Risk Controlling)*** Provide oversight function and perform monitoring of business activities to ensure the conduct of business and operations are within the approved risk appetite and in compliance with regulations.	***(Assurance Party)*** Provide independent assurance of the adequacy and effectiveness of internal controls and risk management processes.

[2] *The Group has disbanded Executive Committee and appointed Executive Director effective on 1 March 2024.*

Risk Analysis and Measurement

In line with the Group's focus on expanding its business activities, the RMC had undertaken a more detailed approach to assessing risks relating to local and international business undertakings. The Group's Corporate Risk Register (CRR) has been established and updated regularly to document, track and monitor the identified and potential risks. The CRR analyses the different risk exposures and appetites across different divisions within the Group and examines the root causes and potential consequences of the risks. The CRR also documents the ratings of risks to facilitate the development of appropriate and optimal action plans by the Management. Action plans to mitigate and manage risks are included in the CRR to ensure clear commitments and responsibilities are agreed upon at all organisation levels.

During FY2023, the CRR was reviewed in the RMC and BRIC meetings. It was concluded that the Group's ERM Framework provides reasonable control to mitigate the exposure to significant risks.

Consistent with the Group's commitment to managing risks proactively and effectively, new projects/investments papers require risk assessment to highlight the potential risks and its mitigation, as well as impact to the Group prior to the decision made by approving authority.

Risk Assessment Reviews

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

Nevertheless, in 2023 the Group has faced several challenges particularly on high penalty and inventory arising from COVID-19 pandemic. The Group has conducted an analysis study to review the root cause and identify the mitigation plan. Continuous monitoring is ongoing to control the situation and address any issues arising from these matters proactively.

For FY2023, the Risk Management Unit of Corporate Systems Department assessed the overall risk profile and appetite of the Group, identified and updated significant risks, as well as developed and monitored risk action plans with specific timeline and responsibility, where necessary. The outcome of these quarterly reviews is the updated Risk Assessment and Review Report, presented in the RMC meeting. In the RMC meeting, the committee also discussed and deliberated report on Business Continuity Management activities, emerging risks, issues of concern highlighted by the Management as well as risk review on subsidiary companies in Indonesia. In 2023, RMC meeting was held on 1 February, 3 May, 7 August and 3 November.

Upon the RMC meeting, the same risk report was presented to the BRIC and subsequently to the Board of Directors (the Board) meetings. The BRIC reviews risk management initiatives, actions and measures implemented by the Management to ensure the Group's risks are identified, assessed and control measures in place are functioning as intended in addressing these risks. The Board, on the other hand, remains responsible for the governance of risk management and internal control, and all the actions of the Board Committees with regards to the execution of the delegated oversight functions. For FY2023, the risk report was presented to the Board on 22 February, 18 May, 10 August and 24 November. The risk assessment activities are summarised as per table below:

Level/Context	Assessment	Management Involvement	Frequency
Corporate	Assessment on the Group key risks known as Corporate Risk Register.	Review and deliberate the risks, existing controls and status of action plans.	Quarterly
Operational	Operational Risk Assessment related to International Organisation for Standardisation (ISO) certification i.e.: Quality, Occupational Health & Safety, Environmental, Anti-Bribery and Testing & Calibration Laboratories.	Review and deliberate the risks, existing controls and status of action plans.	Yearly

Level/Context	Assessment	Management Involvement	Frequency
Project Investment Proposal	Business Risk Assessment related to new projects/investments.	Review and deliberate the risk exposure, its impacts and required controls to manage them.	As required
Business Continuity Management	Assessment on Business Resiliency and Sustainability.	Review and deliberate the risks particularly on materials changes to the process, system and organisation structure.	As required

Several initiatives were undertaken during the year as follows:

- Continuously building and enhancing the Group's resilience towards emerging risks and potential threats by streamlining and refining the existing ERM Framework in line with the Group's business strategies, regulatory requirements and leading best practices;

    - Integrating risk management practices into key operations in line with ISO requirements in Quality Management Systems (ISO9001:2015), Environmental Management Systems (ISO14001:2015), Anti-Bribery Management Systems (ISO37001:2016) and Occupational Health and Safety Management Systems (ISO45001:2018);
    - Assessing risk from various aspects including Business Continuity Management (BCM) to ensure the Group's resiliency and ability to resume critical operations in the event of disaster. For the year under review, amongst the initiatives related to BCM:
        i. Established Crisis Management Plan;
        ii. Established Disaster Fund Procedure;
        iii. Established Business Continuity Plan (BCP) document for Customer Care and Payroll functions;
        iv. Reviewed and Enhanced BCP document for Logistics and Distribution Division;
        v. Coordinated BCP and Disaster Recovery Plan (DRP) testing for Customer Care and Payroll functions;
        vi. Coordinated Call Tree Test nationwide involving more than 2,000 employees; and
        vii. Engaged with employees to create awareness on BCM through Do It Right Always (DIRA) roadshow, e-Poster, briefing and sharing session with employees and external parties.

- Enhancing ERM function competencies and capabilities within the Group by stringently advocating professionalism, integrity, transparency and anti-bribery values; and

- Continuous engaging with the respective subsidiaries to provide clear direction and guidance on appropriate risk management practices. This includes an oversight function on the Group's subsidiaries in Indonesia through Risk and BCM desktop review to monitor and streamline their risk management practices.

Meanwhile, with increase in online usage and digital platforms for services and communications, the Group experienced a cyberattack that has prompted us to take immediate and comprehensive measures to strengthen our protection mechanisms. The attack targeted specific areas of our network infrastructure, gaining access and encrypted the Group's sensitive information. The actions taken to respond on the attack were as follows:

1. Activation of Crisis Management Committee (CMC) to monitor closely the situation and assessing the impact to our operation and make necessary decision to address the impact.
2. Report the incident to stakeholders and authorities i.e.: PDRM, Board, SC, Bursa, MOH, MCMC, PDPC, National Cyber Security Agency (NACSA) and CyberSecurity Malaysia.
3. Activate the call tree to communicate and update the situation to all employees.
4. Appoint Incident Response (IR) consultant to identify the source of the attack and take necessary measures to restore the systems back to normal.
5. Engage with various system vendors to evaluate the respective systems.
6. Implement multi-factor authentication to all employees' end-point devices.
7. Install AI antivirus software to all end-point devices.
8. Instruct all employees to change their password credentials.
9. Monitor any negative backlash and leakage of sensitive information in social media platform.

All additional measures and progress are incorporated in the CRR and will be reviewed quarterly. Furthermore, the Group continues to enhance its information technology and resiliency capabilities by adhering to ISO 27001:2013 Information Security Management Systems (ISMS). This entails conducting vulnerability assessment and penetration test, continuous monitoring on cybersecurity incident as well as organising periodic cybersecurity awareness activities to all employees to provide necessary knowledge and update on the latest cyber threats and safe internet practices. While the recent incident has reinforced the need for constant vigilance, Pharmaniaga are confident that the measures implemented and ongoing initiatives will fortify our defences and protect our stakeholders.

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

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

AUDIT COMMITTEE

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

The AC assumes the overall duties of reviewing the external auditors' audit plan and report, as well as audit findings and recommendations pursuant to the year-end audit. The AC also evaluates the adequacy and effectiveness of the Group's internal control systems through reviews of internal control issues identified by internal and external auditors as well as the Management. The AC is also responsible for determining that the Management satisfactorily resolved all major issues reported by the internal and external auditors and other external advisors.

Group Internal Audit

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

In FY2023, the audits covered a wide range of operational areas and processes within the Group, including review of production, supply chain management including overall/end to end management of stocks and warehouse, trade and non-trade procurement activities, transportation management, product development and laboratory management, marketing activities and pricing mechanisms, recruitment of personnel, and vendor management.

GIA operates and performs their audit activities in accordance to the principles and terms of reference stated in the GIA Charter, reports directly to the AC and maintain independent of the activities it audits.

Areas of improvements have been identified as a result of the reviews, with improvement measures recommended to strengthen controls and follow up audits by the GIA to assess the status of implementation by the Management.

CONTROL SYSTEMS AND PRACTICES

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

- **Operating structure with clearly defined lines of responsibility and delegated authority**

  An organisational structure with clearly defined lines of responsibility, limits of authority and accountability is aligned to business and operational requirements to support the maintenance of a strong control environment. The Group has nine (9) divisions, with each division having clear roles and responsibilities to support and achieve the Group's objectives. Notably, the following divisions/departments/units strengthen the Group's internal control systems:

  i. Procurement

  The Group Procurement Department is entrusted with internal control responsibilities over the sourcing of non-trade products and services, contract negotiations and vendor management. The Centralised Procurement Policy and Procedures has also been put in place across the Group to guide the employees on the uniform standard of non-trade procurement practices. The team envisions embedding best procurement practices that emphasise cost-effectiveness, ensuring competitive cycle times, eradicating leakages, enhancing transparency and developing an extensive supplier base.

ii. Corporate Systems

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

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

Regulatory Compliance
- Conduct routine compliance audits in Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), Good Distribution Practice for Medical Devices (GDPMD), Good Pharmacovigilance Practice (GVP) and Pharmacist Type A License (PTAL), ISO9001, ISO14001, ISO45001, ISO27001 and ISO37001 within the Group;
- Advice and review advertisement of pharmaceutical products, medical devices, food supplements and health awareness for the Group prior to its publication to healthcare professionals and general public; and
- Furnish resources and adopt regulatory perspectives in business projects such as biologics, vaccines, insulins, cold chain and digitalisation for the Group.

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

Written policies and procedures on the limits of delegated authority

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

During the financial year under review, the LOA was reviewed to reflect on current changes and ensure that the document remains relevant and effective. The revised LOA has been effective on 1 December 2023, and distributed to the respective levels of Management accordingly.

Documented standard operating procedures and manuals

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

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

- MS ISO 37001: 2016 Anti-Bribery Management Systems
- ISO 45001: 2018 Occupational Health and Safety Management Systems
- ISO/IEC 27001: 2013 Information Security Management Systems
- ISO 9001: 2015 Quality Management Systems
- ISO 14001: 2015 Environmental Management Systems
- ISO/IEC 17025: 2017 Laboratory Quality Management Systems
- ISO 18295-1: 2017 Customer Contact Centres
- Good Manufacturing Practice - Certification from NPRA, Malaysia
- Good Distribution Practice - Certification from NPRA, Malaysia
- Good Distribution Practice For Medical Devices - Certification from MDA, Malaysia
- Halal Pharmaceutical Product Certification - Certification from JAKIM, Malaysia
- EU Good Manufacturing Practice - Certification from INFARMED, Portugal
- Cara Pembuat Obat Yang Baik - Certification from BPOM, Indonesia
- Cara Distribusi Obat Yang Baik - Certification from BPOM, Indonesia
- Perizinan Distribusi Alat Kesehatan - Certification from Kementerian Kesehatan, Indonesia
- Perizinan Perdagang Besar Farmasi - Certification from Kementerian Kesehatan, Indonesia
- Sertifikasi Halal - Certification from Badan Penyelenggara Jaminan Produk Halal, Indonesia

These certifications reflect the Group's commitment in providing quality deliverables to customers, safeguarding the safety and health of employees as well as the environment. Based on our continuous commitment in occupational safety and health, PLSB Section 15 has been awarded with Gold (Class 1) by the Malaysian Society for Occupational Safety and Health (MSOSH) in 2023.

At the same time, the Anti-Bribery Management Systems (ABMS) certification demonstrates that the Group upholds transparency and integrity in our day-to-day business activities with continuous adoption of ABMS programmes by the subsidiaries. The following initiatives were conducted in 2023 to further strengthen the Group's commitment on corruption risk:

- Obtained ABMS certification for Pharmaniaga LifeScience;
- Two additional employees attending Certified Integrity Officer's (CeIO) course;
- Enhanced whistleblowing channel to include Senior Independent Non-Executive Director and Chairman of Audit Committee; and
- Continuous training and awareness on ABMS are conducted to induce professional ethics and work integrity among employees.

The business operations of the Group are also governed by various regulations and laws applicable to the pharmaceutical and healthcare industry. Compliance audits are regularly conducted by various independent bodies for the certifications and licences obtained from SIRIM, the National Pharmaceutical Regulatory Agency (NPRA), Department of Islamic Development Malaysia (JAKIM) and evaluation committees of numerous multinational companies.

Code of Ethics and Conduct

The Management and the Board set the tone at the top for corporate behaviour and corporate governance. The Group has in place a Code of Ethics and Conduct as a guide on the standards of behaviour expected from all employees in the Group as well as our business partners. All employees are subject to various Company Policy, such as Confidentiality Agreement, Information Security Policies and Standards, Conflict of Interest Declaration, Statement of Integrity, Gifting Policy, Donation Policy, Anti-Bribery Policy and Personal Data Protection Act 2010. Appropriate remedial and disciplinary measures such as warning letters and dismissal are also utilised to deal with any breach of the aforementioned policies.

Strategic Business Planning, Budgeting and Reporting

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

Based on strategies identified and input from the Board, the Annual Operating Plan for 2024 and the Five-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 24 November 2023. This ensures accountability and achievement of the Group's objectives and strategies. Strategies are also revised where necessary based on changes in the business and operating environments.

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

The Group has established processes and procedures for efficient financial reporting to ensure the Board approved quarterly financial results and audited annual financial statements on the Group's performance and submitted to Bursa Securities as well as to shareholders and stakeholders on a timely basis.

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

Human Resources Policies and Procedures

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

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

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

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

Policies and procedures, which established the obligations and standards of behaviour, are meant to provide consistent and efficient management of human resources across the Group and support in building the organisational culture.

Tender Award System

As part of the Group's continuous efforts to enhance transparency, coordination and control on procurement of goods and services for projects above the prescribed threshold, a Management Tender Committee, which comprises qualified and impartial representatives will assess and evaluate all bids against the predetermined evaluation criteria. The Committee shall recommend the most suitable vendor, for onward approval of the relevant approving authority. This is to increase efficiency and ensure the effectiveness of the system of internal controls embedded in the process of awarding tenders.

Insurance

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

Credit Management

This risk arises from the inability to recover debts promptly, which may adversely affect the Group's profitability, cash flows and funding. The Group's Credit Management Policy aims to minimise credit and payment risk by providing a set of rigorous criteria with the following measures:

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

Liquidity Management

For the year under review, liquidity management remain a concern for the Group due to PN17 status that led to tight cashflow, limited financing facilities and overdue payment obligation to suppliers. In mitigating this issue, the Group is undertaking the following:

- Preparation and submission of Regularisation Plan (RP) for the upliftment of PN17 status, which was made on 23 February 2024;
- The proposed RP involves inter-conditional actions, including capital reduction, rights issue with warrants and private placement, with the intention to implement the rights issue and private placement concurrently after completing the capital reduction; and
- The RP is expected to complete by quarter 4, 2024.

The Group liquidity management is disclosed in Note 35 (c) to the financial statement.

Penalty Management

The Group entered into a Consesssion Agreement (CA) with Ministry of Health (MOH) to provide logistics and distribution services of medical products to Government hospitals and clinics. The CA entails a concession Key Performance Indicators (KPI) as a measure to gauge service performance, amongst others related to supply delivery timeline, product quality, buffer stock maintenance as well as invoice and payment timeline. Failing which, the Group will be imposed with penalty.

The Group has been constantly communicating and discussing with MOH on the penalty issues as the COVID-19 pandemic was a global issue and beyond anyone's control. Further enhancements are required to address the issues and the Group committed to undertake the following actions:

- Established dedicated team to handle penalty matters;
- Performed penalty improvement process through system enhancement; and
- Periodic reporting to the Management and Board.

Inventory Management

In FY2023, the Group has made a total of RM49.7 million provision on inventory obsolescence. Higher inventory obsolescence was mainly attributed by COVID-19 pandemic items such as head cover, shoe cover, face mask, gloves, etc. arising from changed in MOH Policy/Directives as well as dropped in COVID-19 cases. It is crucial for the Group to manage the inventory effectively by balancing between sound financial health, optimise operational efficiency and meet customers' expectation. The Group will continue to enhance the inventory management effectiveness via the following control measures:

- Maintains and monitor inventory at optimum level;
- Continuous monitoring of slow-moving inventory;
- Monitor supplier's buffer inventory on monthly basis for better coordination and resiliency; and
- Track and report the potential write-off periodically to the Management and Board.

Flood Task Force

Following the Malaysian Meteorological Department (Met Malaysia) forecast on heavy rainfall, Flood Task Force was reactivated on 2 October 2023. Due to our current financial constraint, the Task Force decided to make a preparation based on Standby Mode. The priority is given to our employees with the following action plans:

- Reactivate Emergency Hotline to provide official communication channel for affected staff;
- Test the functionality of the necessary equipment (genset, water jet, etc.);
- Coordinate preloved clothes collection from Pharmaniaga Bukit Raja employees; and
- Disseminate flood awareness posters to all employees on a weekly basis starting 11 October 2023.

MONITORING

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

Regular Monthly Reporting

Management and operational review meetings are conducted monthly to review and monitor matters pertaining to business operations. The review is based on performance reports providing comprehensive financial performance information and other key non-financial indicators. Monthly performance is also reviewed against the targets allowing for timely response and corrective action to be taken to mitigate risk.

Performance Management

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

- Financial (F)
- Customer (C)
- Internal Business Process (I)
- Organisational Learning and Growth (O)

FCIO provides a framework to translate and align the Group's strategy into measurable operational terms and is being used as a business unit and corporate performance measurement tool. The Group adopted the 360-degree appraisal into PMS, which aims to enhance further the evaluation of individual as well as team performance. This system has been implemented for employees at all levels.

Internal Audit Function

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

COMMUNICATION

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

Employee Engagement

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

Whistleblowing Policy

The Whistleblowing Policy provides a platform for parties to channel their complaints or provide information on fraud, wrongdoings or non-compliance to rules or procedures by an employee or the Management of the Group. The policy outlines when, how and to whom a concern may be raised appropriately, distinguishes a concern from a personal grievance and allows for concern to be treated in confidence. The whistleblower's identity is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retribution. Any concerns raised will be investigated and reported to the Board. For FY2023, two additional employees attended Certified Integrity Officer (CeIO) course to strengthen and assist Integrity and Governance Unit in the future.

Revolution of work culture – *DO IT RIGHT ALWAYS*

One of the core values of the Group is integrity, demonstrated through professional conduct and the cultivation of Do It Right (DIR) work culture. Introduced in 2015, the DIR campaign aim to inculcate the quality culture, encouraging all employees to take responsibility for delivering quality outcomes and always do things right. The campaign is continued as Do It Right Always (DIRA), embodying quality management system towards cultural shift.

The DIRA initiatives has become an integral part of our shared organisational culture embraced by employees through various activities since its inception in 2015. In 2023, the DIRA campaign was reviewed and updated to integrate Environment, Social and Governance (ESG) values, align with prevailing industry standard, prompting Companies to adopt the ESG in their business practices. The Group relaunch the DIRA campaign to include ESG related objectives and initiatives as follows:

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

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

Governance
To ingrain a culture of integrity and accountability in achieving the Group's goals by implementing best practices aligned with existing rules, regulations, policies, and SOPs.

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

This year has remained challenging for the Group as several of our key risks have materialised and overwhelmed our risk management processes. The collective impact of this development was reflected in the operational activities, business performance and financial position of the Group.

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

The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and their implementation are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error or deliberate circumvention of control procedures by employees and others.

The Board will continue to monitor all major risks affecting the Group and will take the necessary measures to mitigate them and enhance the adequacy and effectiveness of the risk management and internal control system of the Group. For areas which require improvement, action plans are being developed with implementation dates being monitored by the Management and Board.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors on 22 April 2024. The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interest of stakeholders, i.e., customers, regulators, employees and the Group's assets.

ASSURANCE FROM MANAGEMENT

For the financial year under review, based on inquiry, information and assurances provided by the Executive Director and Chief Financial Officer, the Board is satisfied with the adequacy and effectiveness of the Group's systems of risk management and internal controls to safeguard shareholders' investment and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control as required in the paragraph 15.23 of the MMLR of Bursa Securities. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 (AAPG 3) issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this statement is inconsistent with their understanding of the processes the Group had adopted in the review of the adequacy and integrity of the risk management and internal control system of the Group.

This Statement has been approved by the Board of Directors on 22 April 2024.

AUDIT COMMITTEE REPORT

The Board of Directors (the Board) is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2023.

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

The Audit Committee continued to play a key role in assisting the Board to fulfil its responsibilities in accordance with its Terms of Reference and held discussions with the internal auditors, external auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

COMPOSITION AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The composition of the Audit Committee is appointed by the Board from amongst the Non-Executive Directors and stood at three (3) members as at year end, whom including the Chairman are Independent Directors and one who is a Non-Independent Director.

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

The composition of the Audit Committee is in line with Paragraph 15.09 and 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Securities Securities Berhad and Practice 9.1 under Principle B of the Malaysian Code on Corporate Governance (MCCG), in which;

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

The Audit Committee has a policy that requires a former partner of the Company's external auditors to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Audit Committee reviewed its report for the financial year ended 31 December 2023 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

MEETINGS AND MINUTES

A total of ten (10) meetings were held during the financial year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set as follows:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Sarah Azreen Abdul Samat [1]	Independent Non-Executive Director (Chairman of the Committee)	Yes	10/10
Dr. Abdul Razak Ahmad	Independent Non-Executive Director	Yes	10/10
Ahmad Shahredzuan Mohd Shariff *(Appointed on 22 February 2023)*	Non-Independent Non-Executive Director	No	8/8
Izaddeen Daud *(Resigned on 17 February 2023)*	Non-Independent Non-Executive Director	No	1/1
Datuk Lim Thean Shiang *(Resigned on 12 June 2023)*	Independent Non-Executive Director	Yes	4/5

Note: [1] The Audit Committee Chairman's profile can be viewed on page 133 of this Integrated Report.

The Audit Committee meetings were also attended by the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Head of Internal Audit at the Audit Committee's invitation and as and when appropriate. Upon the resignation of Chief Executive Officer on 13 March 2023, an EXCO Committee took over the responsibility and perform the functions of the Chief Executive Officer. Subsequently on 1 March 2024, the Executive Director was appointed and with that the Executive Committee was dissolved. The Audit Committee also met with the external auditors during the year on two separate sessions, without the presence of Management. The meetings have been appropriately structured with Audit Committee members receiving notices, agendas and papers sufficiently in advance of the meetings.

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

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the Audit Committee members' trainings can be viewed on page 158 of this Integrated Report.

KEY ACTIVITIES DURING THE YEAR

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

Financial Reporting

- Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR of Bursa Securities, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board.
- Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
- Obtained assurance from the Chief Financial Officer that:
  - appropriate accounting policies had been adopted and applied consistently;
  - the going concern basis applied in the quarterly financial statements and annual financial statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with Malaysian Financial Reporting Standards (MFRSs);
  - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs and MMLR of Bursa Securities; and
  - the quarterly financial statements and the annual financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2023.

Integrated Report

- Reviewed and endorsed the Statement on Risk Management and Internal Control (SORMIC) for Board's approval and disclosure in the 2023 Integrated Report.
- Reviewed and approved the Audit Committee Report for incorporation in the 2023 Integrated Report.
- Reviewed and endorsed the Corporate Governance Overview Statement and Report for Board's approval and inclusion in the 2023 Integrated Report.

External Audit

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

- Reviewed 2023 audit plan and scope of work for the Group.
- Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors.
- Reviewed the performance of external auditors, their independence and objectivity.
- Discussed on audit reports and evaluation of the systems of the internal controls.

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

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

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

The external auditors have assured the Audit Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2023.

The external auditor's non-audit service fees and the statutory audit fees are available on page 221 of this Integrated Report.

Internal Audit

During the year, the Audit Committee:

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

- Reviewed and deliberated internal audit reports, including follow-up on remedial action.

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

- Reviewed the adequacy of resource requirements and competencies of staff within the Group Internal Audit Department to execute the annual audit plan.

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

Related Party Transactions

During the year, the Audit Committee:

- 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.

- Reviewed the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 12 June 2023.

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

- Reviewed the Framework and Procedures on related party transactions in ensuring that these were in accordance with the provisions of the MMLR of Bursa Securities.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Group Internal Audit Department (GIAD) of Boustead Holdings Berhad (the immediate Holding Company of Pharmaniaga Berhad). The Head of GIAD is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Professional Member of the Institute of Internal Auditors Malaysia (IIA Malaysia). She has more than 19 years of firm and commercial experience in internal audit, risk management, compliance and financial management (strategic and operational) encompassing a wide array of industries. She reports functionally to the Audit Committee of Boustead Holdings Berhad and administratively to its Group Chief Executive Officer.

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

i. Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Pharmaniaga Berhad Internal Audit Charter. The Charter was last updated in February 2021, and approved by the Audit Committee. GIAD operates and performs its activities in accordance with the principles of the Charter that provides for its independence. GIAD reports directly to the Audit Committee and is independent of the activities it audits. GIAD has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and the Group.

ii. Audit Planning and Work Done

GIAD adopts a risk-based methodology in planning and conducting audits based on risk assessment of the business operations and activities that are aligned with the Group's strategic plans, and the audit cycle. GIAD has also adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors, and the COSO Internal Control Framework in conducting its reviews.

As of 31 December 2023, GIAD has in total 17 internal auditors, assigned to perform audits across the various divisions. At Pharmaniaga Berhad this consisted of audits for the manufacturing, logistics and distributions, research centre, sales and marketing, retail and support sectors of the Group such as procurement and human resource. GIAD completed and issued internal audit reports for 11 assignments based on the approved annual audit plan. The audits conducted in 2023 covered a wide range of operational areas and processes within the Group, including review of production, supply chain management including overall/end to end management of stocks and warehouse, trade and non-trade procurement activities, transportation management, product development and laboratory management, marketing activities and pricing mechanisms, recruitment of personnel, and vendor management.

The internal audit reports which included issues and action plans, were presented to and discussed with Management, and subsequently to the Audit Committee; for their attention, deliberation and/or corrective actions. GIAD also monitored the status of implementation of the agreed action plans to ensure full compliance.

INTERNAL AUDIT ACTIVITIES DURING THE YEAR

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

- Prepared the annual audit plan for approval by the Audit Committee;
- Performed risk-based audits based on the annual audit plan;
- Undertook ad-hoc reviews on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly;
- Conducted root-cause analysis as part of the internal audit work to enable relevant recommendations to address any weaknesses noted;
- Issued internal audit reports on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes;
- Reported on a quarterly basis to the Audit Committee on significant risk management, control and governance issues from the internal audit reports issued, special reviews undertaken and results of follow-up of matters reported;
- Reported on an ongoing basis to the Audit Committee the achievement of the audit plan and status of resources of GIAD;
- Conducted regular follow-up and monitoring on the implementation of recommendations made to ensure that appropriate corrective or preventive actions were taken on a timely basis or within agreed timelines;
- Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks; and
- Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders; and
- Carried out internal peer review assessments of the internal audit department in compliance to the internal auditing standards prescribed by the IPPF by the Institute of Internal Auditors.

Due to the ample expertise and cost efficiency available, all internal audit functions throughout the year were conducted in-house by GIAD of Boustead Holdings Berhad. No aspect of the internal audit work was outsourced outside Boustead Group.

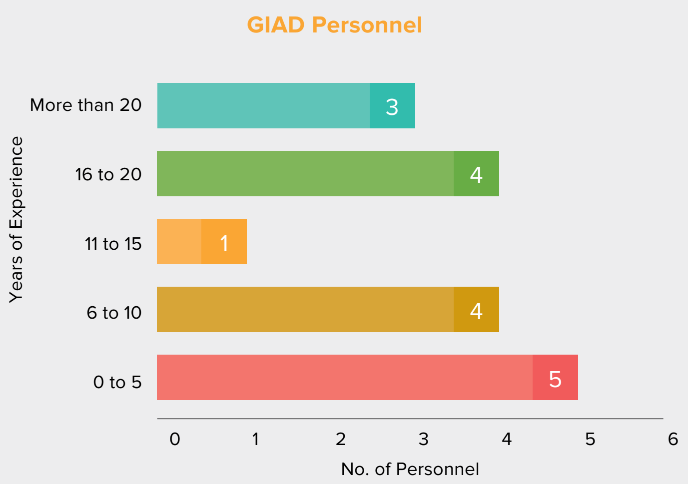
iii. Resources and Continuous Professional Development

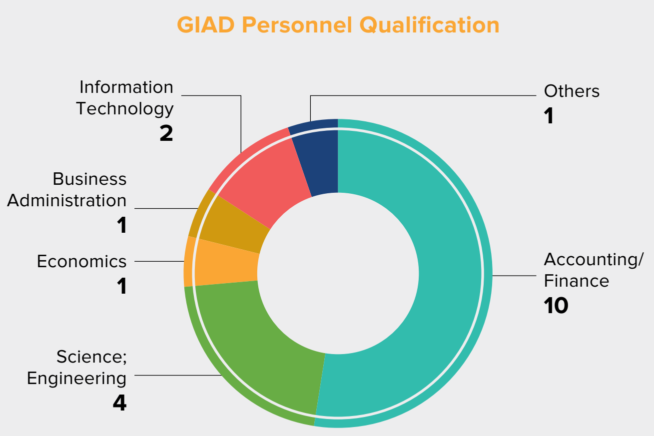
GIAD continues its commitment to equip its internal auditors with the sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various trainings, seminars and courses, and are strongly encouraged to obtain appropriate professional certifications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

The qualification and audit related years of experience breakdown of the GIAD team as of 31 December 2023 are shown below:

iv. Internal Audit Cost

GIAD had carried out the audits for Pharmaniaga Berhad with a total fee amounting to RM403,460 for the financial year ended 31 December 2023.





Note: Several internal auditors have more than one qualification

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

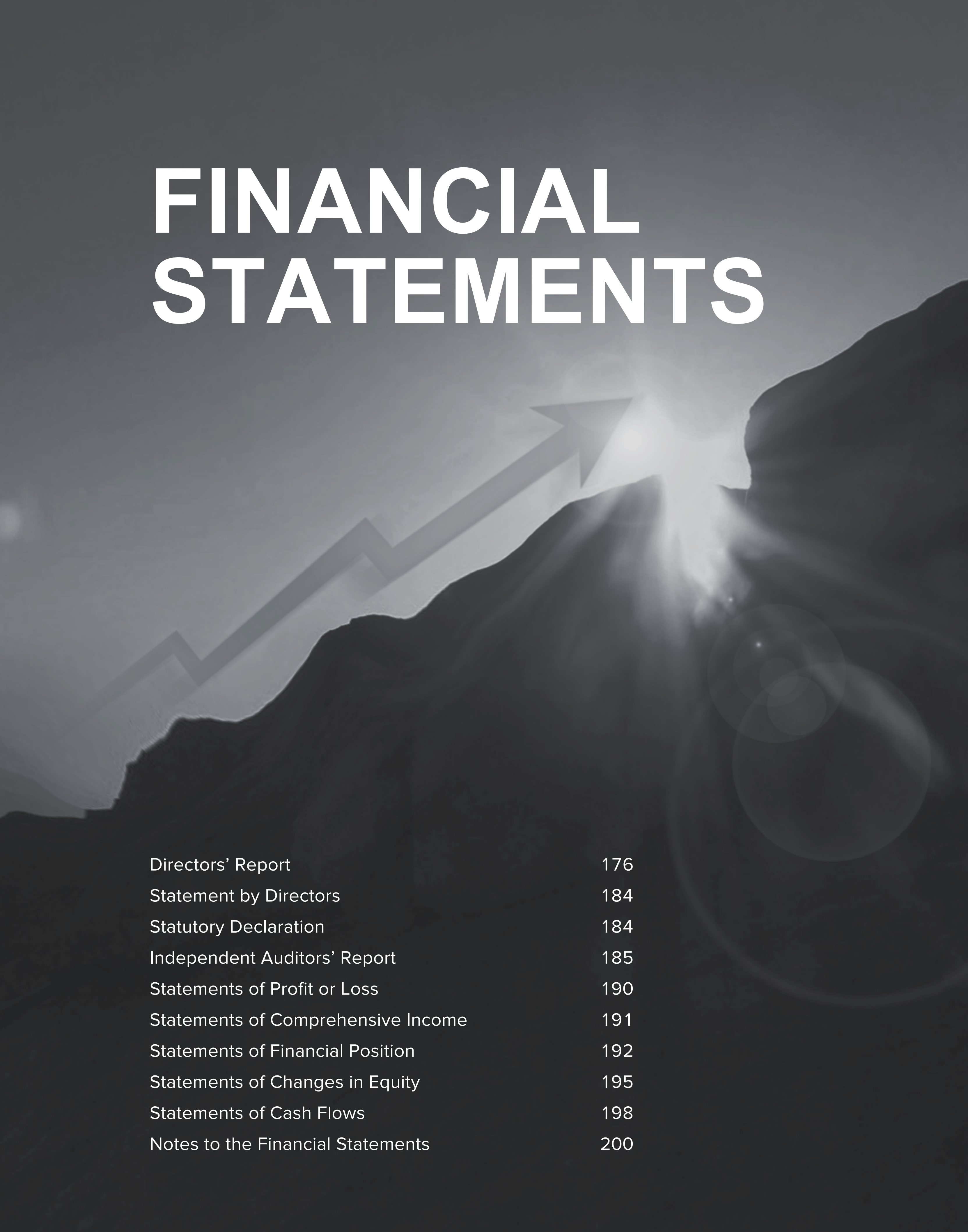
The financial statements of the Group and of the Company have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

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

The Directors are responsible to ensure that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the requirements of Companies Act 2016.

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

This statement has been approved by the Board of Directors on 29 March 2024.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's other principal activities include the provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(78,744)	(63,294)
Attributable to:		
Owners of the parent	(80,160)	(63,294)
Non-controlling interests	1,416	-
	(78,744)	(63,294)

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year except for the payment of the third interim single tier dividend of 0.6 sen per share in respect of financial year ended 31 December 2022 of RM7,859,000 on 6 January 2023.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2023.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM154,189,000 to RM200,046,000 by way of issuance of 131,020,866 new ordinary shares representing 10% of the total issued shares of the Company on 24 July 2023 at RM0.35 per share ("Private Placement").

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

SHARE SCHEME

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

Option Plan

The principal features of the Option Plan are as follows:

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

(b) Options granted under the Option Plan shall expire on 12 May 2021. Any extension of time of the Option Plan would have to be approved by the relevant authorities and shareholders of the Company in a general meeting. The Company in a general meeting may terminate the Option Plan prior to the expiry date.

(c) The option price under the Option Plan shall be based on the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia for the five (5) Market Days immediately preceding the date of offer subject to a discount not more than ten percent (10%) at the Scheme Committee's discretion.

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

Long Term Incentive Plan ("LTIP")

The principal features of the LTIP are as follows:

(a) Subject always to the eligibility criteria set out below, the Executive Director and Eligible Employees of the Group are awarded with new ordinary shares in the Company for nil consideration:
- if he has attained the age of 18 years, is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;
- if he entered into a full-time or fixed term contract with, and is on the payroll of the Group, and whose service has been confirmed;
- if he is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration (or any other contract as may be determined by the Scheme Committee); and
- if he fulfils any other criteria and/or falls within such category as may be determined by the Scheme Committee from time to time.

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

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

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

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

SHARE SCHEME (CONTINUED)

Amendments to the Share Scheme

On 7 May 2021, the Board of Directors has resolved to extend the duration of the Initial Term of the Share Scheme for a further period of 5 years from 13 May 2021 to 12 May 2026, in accordance with the terms of the By-Laws.

The proposed amendments to the By-Laws governing the existing Share Scheme ("Proposed By-Laws Amendment") shall consist of the following amendments to the following terms under the By-Laws:

(a) amending the definition of eligible persons as specified under the By-Laws to include all employees of the Group (excluding foreign and dormant subsidiaries) to enable them to participate in the Option Plan and LTIP under the Share Scheme;

(b) streamlining the By-Laws to be aligned with the Companies Act 2016 ("Act"), which came into force on 31 January 2017, and to be in compliance with Bursa Listing Requirements, which include amongst others, the abolition of the par value regime and the maximum allocation to the Directors and senior management;

(c) providing that not more than 65% of the total number of shares of the Company to be issued under the Share Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are eligible persons under the Share Scheme (where "senior management" shall be subject to any criteria as may be determined at the sole discretion of the Scheme Committee from time to time); and

(d) reducing the Maximum Shares Available from 15% to 8.5% of the then issued share capital (excluding treasury shares) of the Company at any point of time, from time to time, during the duration of the Share Scheme.

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

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

As at 31 December 2023, the particulars of the outstanding options granted under the Option Plan and the shares granted under LTIP are as follows:

Option Plan

		Number of options over ordinary shares				
Date of grant	Option price	At 1.1.2023	Granted	Exercised	Forfeited	At 31.12.2023
20 August 2021	RM0.8433	36,318,650	-	-	(4,566,350)	31,752,300

SHARE SCHEME (CONTINUED)

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

Option Plan (continued)

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

	Number of options over ordinary shares				
	At 1.1.2023	Granted	Exercised	Forfeited	At 31.12.2023
Mohamed Iqbal Abdul Rahman	93,550	-	-	-	93,550
Norai'ni Mohamed Ali	82,550	-	-	-	82,550
Abdul Malik Mohamed	82,550	-	-	-	82,550
Zulhazri Razali	82,550	-	-	-	82,550
Wan Intan Idura Wan Ismail	82,550	-	-	-	82,550
Dr. Badarulhisam Abdul Rahman	56,700	-	-	-	56,700
Mohd Saharuddin Othman	56,700	-	-	-	56,700

Long Term Incentive Plan ("LTIP")

As at 31 December 2023, no shares under LTIP were granted to Eligible Employees.

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

DIRECTORS

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

Izaddeen Daud	
Zulkifli Jafar	(Redesignated as Deputy Chief Executive Officer on 22 February 2023 and appointed as Executive Director on 1 March 2024)
Dr. Abdul Razak Ahmad	
Sarah Azreen Abdul Samat	
Ahmad Shahredzuan Mohd Shariff	(Appointed on 22 February 2023)
Mohammad Ashraf Md. Radzi	(Appointed on 10 August 2023)
Dato' Mohd Zahir Zahur Hussain	(Appointed on 1 March 2024)
Dato' Dr Faridah Aryani Md Yusof	(Appointed on 1 March 2024)
Drs Imam Fathorrahman	(Appointed on 1 March 2024)
Dayana Rogayah Omar (Alternate Director to Mohammad Ashraf Md. Radzi)	(Appointed on 10 August 2023 and resigned on 14 February 2024)
Datuk Seri Zainal Abidin Mohd Rafique	(Resigned on 31 January 2023)
Dato' Dr. Najmil Faiz Mohamed Aris	(Resigned on 31 January 2023)
Datuk Zulkarnain Md Eusope	(Redesignated as Chief Executive Officer on 22 February 2023 and resigned as Chief Executive Officer on 14 March 2023)
YB Senator Datuk Dr. Azhar Ahmad	(Resigned on 10 June 2023)
Dr. Mary Jane Cardosa	(Retired on 12 June 2023)
Datuk Lim Thean Shiang	(Retired on 12 June 2023)

DIRECTORS (CONTINUED)

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

Norai'ni Mohamed Ali	
Abdul Malik Mohamed	
Zulhazri Razali	
Dr. Badarulhisam Abdul Rahman	
Yusni Rizal Khairul Anuar	
Muhammad Fauzi Abdul Hamid	
Mohd Izwan Ishak	
Joefly Joesoef Bahroeny	
Professor Dr. Aman Bhakti Pulungan	
Ong Yee Wen	(Appointed on 10 June 2023)
Lim Cheng Chin	(Appointed on 16 June 2023)
Ahmad Abu Bakar	(Appointed on 7 July 2023)
Datuk Zulkarnain Md Eusope	(Resigned on 14 March 2023)
Mohd Saharuddin Othman	(Resigned on 30 January 2024)
Mohamed Iqbal Abdul Rahman	(Retired on 8 March 2024)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate emoluments received or due and receivable by the Directors as shown in Notes 7 and 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REMUNERATION

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

	Group RM'000	Company RM'000
Non-executive Directors fees	819	730
Non-executive Directors' other allowances and emoluments	254	232
Executive Directors' remuneration:		
- Salaries and bonuses	422	422
- Defined contribution plan	51	51
- Other short-term employee benefits	21	21

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Directors and Officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis by the Company and the total premium paid during the financial year amounted to RM71,500.

NOMINATING AND REMUNERATION COMMITTEE

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

Dr. Abdul Razak Ahmad	
Sarah Azreen Abdul Samat	
Ahmad Shahredzuan Mohd Shariff	(Appointed on 22 February 2023)
Dato' Dr Faridah Aryani Md Yusof	(Appointed on 27 March 2024)
Drs Imam Fathorrahman	(Appointed on 27 March 2024)
Dato' Dr. Najmil Faiz Mohamed Aris	(Resigned on 31 January 2023)
Datuk Lim Thean Shiang	(Retired on 12 June 2023)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2023 held or dealt in the shares and options over the shares of the Company and of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGING CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, other than as disclosed in the financial statements:

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

The significant events during the financial year and subsequent events are disclosed in Note 36 to the financial statements.

HOLDING CORPORATIONS

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

SUBSIDIARIES

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

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year ended 31 December 2023 for the Group and the Company is as follows:

	Group RM'000	Company RM'000
Auditors' remuneration		
(i) statutory audit fees:		
- PricewaterhouseCoopers PLT, Malaysia	780	291
- firms other than member firms of PricewaterhouseCoopers International Limited	207	-
(ii) other non-audit fees		
- PricewaterhouseCoopers PLT, Malaysia	25	25
- firms other than member firms of PricewaterhouseCoopers International Limited	20	-

AUDITORS

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

This report was approved by the Board of Directors on 29 March 2024. Signed on behalf of the Board of Directors:

IZADDEEN DAUD
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

ZULKIFLI JAFAR
EXECUTIVE DIRECTOR

STATEMENT BY DIRECTORS

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

We, Izaddeen Daud and Zulkifli Jafar, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 190 to 307 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and financial performance of the Group and of the Company for the financial year ended on 31 December 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 29 March 2024.

IZADDEEN DAUD
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

ZULKIFLI JAFAR
EXECUTIVE DIRECTOR

STATUTORY DECLARATION

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

I, Norai'ni Mohamed Ali, being the officer primarily responsible for the financial management of Pharmaniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 190 to 307 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

NORAI'NI MOHAMED ALI
MIA Number: 44576

Subscribed and solemnly declared by the abovenamed Norai'ni Mohamed Ali at Kuala Lumpur on 29 March 2024, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Pharmaniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 190 to 307.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group and the Company incurred net loss of RM78.7 million and RM63.3 million respectively during the year ended 31 December 2023. As of 31 December 2023, the Group's and the Company's current liabilities exceeded their current assets by RM895.0 million and RM439.0 million respectively, and the Group recorded a capital deficiency of RM274.1 million. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Impairment of slow-moving and obsolete inventories	
Refer to Note 3(b) - Critical Accounting Estimates and Judgments and Note 16 - Inventories Management performed recoverability assessments on its slow-moving and obsolete inventories, taking into consideration the prevailing market conditions globally and potential demand up to the expiry date. As a result, the impairment of slow-moving and obsolete inventories totalling RM76.9 million was recognised by the Group during the financial year ended 31 December 2023. We focused on this area as the impairment of slow-moving and obsolete inventories is material and its recoverability assessment involves significant judgement and estimates in determining the net realisable value.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Obtained an understanding of the Group's process of determining the net realisable value of slow-moving inventories; • Discussed with management on the basis applied to realise the slow-moving inventories balance, considering the significant judgement involved and the assumptions used in determining the impairment of slow-moving and obsolete inventories; • Reviewed subsequent events for changes in the demand for related products and its impact on the net realisable value; and • Assessed the adequacy of the disclosures in the financial statements. Based on the procedures performed above, we did not find any material exceptions to the Director's assessment on the impairment of slow-moving and obsolete inventories during the financial year.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of property, plant and equipment carrying value of the Group's small volume injectable plant	
Refer to Note 3(c) - Critical Accounting Estimates and Judgments and Note 12 - Property, Plant and Equipment The carrying values of property, plant and equipment other than land and buildings occupied by the Group's small volume injectable production plant as at 31 December 2023 is RM87.5 million. An impairment assessment was performed by management for the Group's small volume injectable plant as it has not been utilised to its optimum production capacity as most of the products are still in the development stage. The recoverable amount of the small volume injectable plant is determined using a probability-weighted approach to determine the expected cash flows. No impairment was required as the recoverable amount of the small volume injectable plant was in excess of the carrying amount of the assets. We focused on this area as the impairment assessment performed by management requires significant judgement as the timing and quantum of the cash flows is dependent on sales growth rate, product margins, terminal growth rates and discount rates.	We evaluated the impairment assessment prepared by management and our procedures included the following: • Discussed and assessed the key assumptions used by management in the cash flow projections by comparing the sales growth rate, product margins and terminal growth rate to historical results and industry data, where appropriate; • Reviewed the probability-weighted approaches model of discounted cash flow projections prepared by management for the impairment assessments of the small volume injectable plant; • Evaluated the methodology and reasonableness of the key assumptions used in determining the terminal value; • Assessed the reliability of approved budget by comparing their previous years' approved budget against past trends of actual results; • Involved our valuation expert to assess the discount rate and certain impairment models used in determining the recoverable amounts of the small volume injectable plant; • Checked the sensitivity analysis performed by management, including disclosures, on reasonable possible changes in key assumptions and the corresponding effect on the recoverable amounts; and • Checked the appropriateness of disclosures in the financial statements of the Group. Based on the procedures performed above, we did not find any material exceptions to Directors' assessment on the recoverability of property, plant and equipment of the Group's small volume injectable plant as at 31 December 2023.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Statement on Risk Management and Internal Control and Directors' Report, which we obtained prior to the date of this auditors' report, and Internal Control and Directors' Report, Chairman's Statement, Managing Director's Report Review, Operation Review, Corporate Governance Overview Statement, Audit Committee Report and other sections of the 2023 Integrated Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2025 J
Chartered Accountant

Kuala Lumpur
29 March 2024

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000 Restated
Revenue	4	**3,404,481**	3,480,935	**22,359**	50,302
Cost of sales	5	**(3,096,660)**	(3,690,523)	**-**	-
Gross profit/(loss)		**307,821**	(209,588)	**22,359**	50,302
Other income	7(c)	**2,649**	3,118	**59**	41
Administrative expenses		**(328,267)**	(314,716)	**(30,856)**	(25,244)
Impairment of intangible assets	15	**-**	(50,274)	**-**	-
Impairment of amount due from subsidiaries	19(a)	**-**	-	**(30,876)**	(14,171)
Impairment of investment in subsidiaries	14(a)	**-**	-	**(20,148)**	(19,000)
Finance costs	6	**(61,843)**	(40,038)	**(39,558)**	(25,972)
Interest income	7(b)	**1,477**	910	**35,838**	27,700
Loss before zakat and taxation	7(a)	**(78,163)**	(610,588)	**(63,182)**	(6,344)
Zakat		**-**	(209)	**-**	-
Taxation	9	**(581)**	(16,857)	**(112)**	10,703
Net (loss)/profit for the financial year		**(78,744)**	(627,654)	**(63,294)**	4,359
Attributable to:					
Owners of the parent		**(80,160)**	(629,921)	**(63,294)**	4,359
Non-controlling interests		**1,416**	2,267	**-**	-
Net (loss)/profit for the financial year		**(78,744)**	(627,654)	**(63,294)**	4,359
Loss per share (sen):					
- Basic	10(a)	**(5.86)**	(48.09)		
- Diluted	10(b)	**(5.86)**	(48.09)		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000 Restated
Net (loss)/profit for the financial year		**(78,744)**	(627,654)	**(63,294)**	4,359
Other comprehensive income/(loss), net of tax:					
<u>Items that will be subsequently reclassified to profit or loss</u>					
Foreign currency translation gains/(losses) for foreign operations		**3,559**	(3,951)	**-**	-
<u>Items that will not be reclassified to profit or loss</u>					
Recognition of actuarial gains/(losses)	30	**103**	(402)	**-**	-
Gain on revaluation of land and buildings		**103,654**	-	**-**	-
Other comprehensive income/(loss), net of tax for the financial year		**107,316**	(4,353)	**-**	-
Total comprehensive income/(loss), net of tax for the financial year		**28,572**	(632,007)	**(63,294)**	4,359
Attributable to:					
Owners of the parent		**24,771**	(633,513)	**(63,294)**	4,359
Non-controlling interests		**3,801**	1,506	**-**	-
		28,572	(632,007)	**(63,294)**	4,359

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		Group			Company		
	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
ASSETS							
Non-current assets							
Property, plant and equipment	12	**515,319**	404,188	364,617	**-**	-	-
Right-of-use assets	13(a)	**90,429**	38,846	30,973	**-**	-	-
Subsidiaries	14	**-**	-	-	**556,072**	576,220	593,438
Intangible assets	15	**149,558**	160,561	208,013	**-**	-	-
Other receivables	18	**-**	-	-	**-**	-	-
Amounts due from subsidiaries	19(a)	**-**	-	-	**201,691**	220,617	217,549
Deferred tax assets	29	**52,082**	48,890	52,539	**12,632**	10,703	-
		807,388	652,485	656,142	**770,395**	807,540	810,987
Current assets							
Inventories	16	**580,643**	767,263	1,264,369	**-**	-	-
Amounts due from related companies	21	**9**	13	31	**-**	-	-
Trade receivables	17	**285,220**	261,751	227,849	**-**	-	-
Other receivables	18	**83,958**	80,235	69,368	**223**	370	171
Amounts due from subsidiaries	19(a)	**-**	-	-	**294,951**	307,936	227,981
Tax recoverable		**30,195**	32,695	18,297	**-**	-	-
Deposits, cash and bank balances	20	**127,441**	52,849	52,359	**11,939**	5,020	1,291
		1,107,466	1,194,806	1,632,273	**307,113**	313,326	229,443
TOTAL ASSETS		**1,914,854**	1,847,291	2,288,415	**1,077,508**	1,120,866	1,040,430

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	Group			Company		
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
EQUITY AND LIABILITIES							
Capital and reserves attributable to equity holders of the Company							
Share capital	27	**200,046**	154,189	154,051	**200,046**	154,189	154,051
Exchange reserve		**149**	(2,281)	1,016	**-**	-	-
Revaluation reserve		**100,534**	-	-	**-**	-	-
Share reserves	28	**3,624**	3,624	1,670	**3,624**	3,624	1,670
(Accumulated losses)/ Retained earnings		**(603,419)**	(525,226)	195,377	**77,193**	140,487	226,515
		(299,066)	(369,694)	352,114	**280,863**	298,300	382,236
Non-controlling interests		**24,976**	21,386	19,979	**-**	-	-
(Capital deficiency)/Total equity		**(274,090)**	(348,308)	372,093	**280,863**	298,300	382,236
Non-current liabilities							
Government grants	25	**3,097**	3,358	3,617	**-**	-	-
Borrowings	26	**139,372**	92,627	285,170	**50,512**	-	184,989
Lease liabilities	13(b)	**341**	4,038	441	**-**	-	-
Deferred tax liabilities	29	**32,846**	18,815	21,352	**-**	-	-
Provision for defined benefit plan	30	**10,841**	9,051	9,079	**-**	-	-
		186,497	127,889	319,659	**50,512**	-	184,989

	Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Group 1.1.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000 Restated	Company 1.1.2022 RM'000 Restated
Current liabilities							
Amounts due to subsidiaries	19(b)	**-**	-	-	**304,000**	385,788	303,413
Amounts due to related companies	21	**8,023**	7,671	4,890	**-**	40	44
Trade payables	22	**627,781**	648,019	677,633	**-**	-	-
Other payables	23	**245,504**	296,496	304,785	**4,411**	5,897	18,417
Amount due to immediate holding company	24	**50,515**	688	1,208	**50,119**	382	1,096
Contract liabilities	31(a)	**8,899**	31,017	22,128	**-**	-	-
Government grants	25	**260**	260	332	**-**	-	-
Borrowings	26	**1,047,727**	1,066,272	570,056	**386,864**	422,600	150,235
Lease liabilities	13(b)	**3,943**	5,155	1,193	**-**	-	-
Current tax liabilities		**9,795**	4,273	14,438	**739**	-	-
Dividend payable		**-**	7,859	-	**-**	7,859	-
		2,002,447	2,067,710	1,596,663	**746,133**	822,566	473,205
Total liabilities		**2,188,944**	2,195,599	1,916,322	**796,645**	822,566	658,194
TOTAL EQUITY AND LIABILITIES		**1,914,854**	1,847,291	2,288,415	**1,077,508**	1,120,866	1,040,430

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Equity attributable to equity holders of the Company							
		Share capital RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Share reserves RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2023 (as previously stated)		**154,189**	**(2,281)**	**-**	**3,624**	**(404,274)**	**(248,742)**	**21,386**	**(227,356)**
Restatement of comparatives	37	**-**	**-**	**-**	**-**	**(120,952)**	**(120,952)**	**-**	**(120,952)**
At 1 January 2023 (as restated)		**154,189**	**(2,281)**	**-**	**3,624**	**(525,226)**	**(369,694)**	**21,386**	**(348,308)**
Net (loss)/profit for the financial year		**-**	**-**	**-**	**-**	**(80,160)**	**(80,160)**	**1,416**	**(78,744)**
Other comprehensive income		**-**	**2,430**	**103,136**	**-**	**57**	**105,623**	**1,693**	**107,316**
Transfer of revaluation reserve upon disposal of leasehold land in right-of-use asset		**-**	**-**	**(2,602)**	**-**	**1,910**	**(692)**	**692**	**-**
Total comprehensive income/(loss) for the financial year		**-**	**2,430**	**100,534**	**-**	**(78,193)**	**24,771**	**3,801**	**28,572**
Transactions with owners:									
Issuance of new shares:									
- Private placement	27	**45,857**	**-**	**-**	**-**	**-**	**45,857**	**-**	**45,857**
Dividends:									
- non-controlling interests of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**(211)**	**(211)**
Total transactions with owners for the financial year		**45,857**	**-**	**-**	**-**	**-**	**45,857**	**(211)**	**45,646**
At 31 December 2023		**200,046**	**149**	**100,534**	**3,624**	**(603,419)**	**(299,066)**	**24,976**	**(274,090)**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Exchange reserve RM'000	Share reserves RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2022 (as previously stated)		154,051	1,016	1,670	293,725	450,462	19,979	470,441
Restatement of comparatives	37	-	-	-	(98,348)	(98,348)	-	(98,348)
At 1 January 2022 (as restated)		154,051	1,016	1,670	195,377	352,114	19,979	372,093
Net (loss)/profit for the financial year (as restated)	37	-	-	-	(629,921)	(629,921)	2,267	(627,654)
Other comprehensive loss		-	(3,297)	-	(295)	(3,592)	(761)	(4,353)
Total comprehensive (loss)/income for the financial year		-	(3,297)	-	(630,216)	(633,513)	1,506	(632,007)
Transactions with owners:								
Issuance of new shares:								
- Long Term Incentive Plan	27	138	-	(138)	-	-	-	-
Share options granted under Option Plan		-	-	1,954	-	1,954	-	1,954
Shares granted under Long Term Incentive Plan		-	-	138	-	138	-	138
Dividends:								
- owners of the Company	11	-	-	-	(90,387)	(90,387)	-	(90,387)
- non-controlling interests of a subsidiary		-	-	-	-	-	(99)	(99)
Total transactions with owners for the financial year		138	-	1,954	(90,387)	(88,295)	(99)	(88,394)
At 31 December 2022		154,189	(2,281)	3,624	(525,226)	(369,694)	21,386	(348,308)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Non-distributable		Distributable	
	Note	Share capital RM'000	Share reserves RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2023		**154,189**	**3,624**	**140,487**	**298,300**
Total comprehensive loss for the financial year		**-**	**-**	**(63,294)**	**(63,294)**
Transactions with owners:					
Issuance of new shares:					
- Private placement	27	**45,857**	**-**	**-**	**45,857**
Total transactions with owners for the financial year		**45,857**	**-**	**-**	**45,857**
At 31 December 2023		**200,046**	**3,624**	**77,193**	**280,863**
At 1 January 2022		154,051	1,670	226,515	382,236
Total comprehensive income for the financial year		-	-	4,359	4,359
Transactions with owners:					
Issuance of new shares:					
- Long Term Incentive Plan	27	138	(138)	-	-
Share options granted under Option Plan		-	1,954	-	1,954
Shares granted under Long Term Incentive Plan		-	138	-	138
Dividends	11	-	-	(90,387)	(90,387)
Total transactions with owners for the financial year		138	1,954	(90,387)	(88,295)
At 31 December 2022		154,189	3,624	140,487	298,300

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**3,403,556**	3,546,258	**-**	-
Cash payments to suppliers and employees		**(3,276,710)**	(3,608,486)	**(46,844)**	(35,646)
Cash generated from/(used in) operations		**126,846**	(62,228)	**(46,844)**	(35,646)
Interest paid		**(60,811)**	(41,287)	**(23,951)**	(17,688)
Net tax paid		**(20,561)**	(39,522)	**(1,302)**	-
Zakat paid		**-**	(209)	**-**	-
Interest received		**1,477**	910	**12,670**	7,619
Net cash generated from/(used in) operating activities		**46,951**	(142,336)	**(59,427)**	(45,715)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		**1,316**	55	**-**	-
Proceeds from disposal of right-of-use assets		**4,412**	-	**-**	-
Purchase of property, plant and equipment	12	**(50,672)**	(59,261)	**-**	-
Purchase of intangible assets	15	**(10,336)**	(18,376)	**-**	-
Purchase of leasehold land (ROU)		**(12,654)**	-	**-**	-
Gross advances to subsidiaries		**-**	-	**(1,119,342)**	(620,690)
Gross repayments from subsidiaries		**-**	-	**1,143,552**	545,511
Decrease in investment in deposits maturing more than three (3) months		**-**	5,247	**-**	-
Net cash used in investing activities		**(67,934)**	(72,335)	**24,210**	(75,179)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- owners of the Company		**(7,859)**	(82,528)	**(7,859)**	(82,528)
- non-controlling interests of a subsidiary		**(211)**	(99)	**-**	-
Proceeds from issuance of share capital	27	**45,857**	-	**45,857**	-
Drawdown of borrowings		**3,247,537**	2,291,087	**1,140,168**	659,845
Repayment of borrowings		**(3,228,013)**	(1,980,109)	**(1,125,392)**	(572,469)
Repayment of hire purchase liabilities		**(966)**	(531)	**-**	-
Advances from immediate holding company		**50,000**	-	**50,000**	-
Gross advances received from subsidiaries		**-**	-	**192,249**	181,657
Gross repayments to subsidiaries		**-**	-	**(252,887)**	(61,882)
Payment of lease liabilities	13(b)	**(11,077)**	(7,026)	**-**	-
Net cash generated from financing activities		**95,268**	220,794	**42,136**	124,623
NET CHANGES IN CASH AND CASH EQUIVALENTS		**74,285**	6,123	**6,919**	3,729
Foreign exchange differences		**307**	(386)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**52,849**	47,112	**5,020**	1,291
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	20	**127,441**	52,849	**11,939**	5,020

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

1 GENERAL INFORMATION

The Company is an investment holding company. The Company's other principal activities include the provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

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

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

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

Registered office:

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

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 MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Going concern basis of preparation for the Group and the Company

During the financial year ended 31 December 2023, the Group and the Company incurred a net loss of RM78.7 million and RM63.3 million respectively. As of 31 December 2023, the Group's and the Company's current liabilities exceeded the current assets by RM895.0 million and RM439.0 million respectively, and the Group recorded a capital deficiency of RM274.1 million.

On 27 February 2023, the Company announced that it had triggered the criteria under Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") due to its shareholders' equity being below RM40.0 million and 25% of its issued and paid-up capital.

As disclosed in Note 26(a) to the financial statements, the Group and the Company did not meet financial covenants for certain borrowings of RM346.3 million and RM207.8 million respectively as at 31 December 2023.

In addition, as at 31 December 2023, other than the borrowings mentioned above, certain facilities within the Group and the Company of RM412.4 million and RM229.5 million respectively contain cross-default clauses that may be breached due to the Group and the Company failing to meet financial covenants of the borrowings mentioned above.

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

The Directors prepared a set of cash flow projections for the 15-month period ending 31 March 2025 in assessing whether it is appropriate to prepare the financial statements of the Group and the Company for the year ended 31 December 2023 on a going concern basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

Going concern basis of preparation for the Group and the Company (continued)

The 15-month cash flow projection incorporated the impact of the following key measures that have been or are to be undertaken by the Group and the Company and the impact from financial support from the lenders and the shareholder of the Company:

(i) Indulgence granted and continued support by the banks

As explained in Note 26(a), the Group and the Company were granted indulgence on borrowings of RM153.1 million by one financial institution before the end of the reporting period. A further indulgence on borrowings of RM138.5 million was granted to the Group by another financial institution after the end of the reporting period.

The Group and the Company did not default on any repayment obligations during the financial year and up to the date when these financial statements were approved by the Board of Directors; and the lenders of the Group and the Company, including banks where the loan covenants were breached, have not requested early repayment of any borrowings of the Group and the Company as of the date when these financial statements were approved by the Board of Directors.

The Directors believe that the Group and the Company are able to continue to roll over existing revolving credits and bankers acceptance facilities. The Directors also believe that they are able to utilise undrawn borrowing facilities (as disclosed in Note 26(k)) throughout the 15-month cash flow projection period.

(ii) PN 17 status and the Proposed Regularisation Plan

The Company had submitted its regularisation plan to Bursa Malaysia ("Proposed Regularisation Plan") on 23 February 2024 with the following proposals, as disclosed in Note 36(a) to the financial statements:

- proposed capital reduction of the issued share capital of the Company by the cancellation of RM180.0 million issued share capital which is lost and/or unrepresented by available assets;
- proposed renounceable rights issue to its shareholders to raise gross proceeds of up to RM354.6 million; and
- proposed private placement to third party investor(s) to be identified at a later date to raise gross proceeds of up to RM300.0 million.

The Group's ultimate controlling party, Lembaga Tabung Angkatan Tentera ("LTAT") and its immediate holding company, Boustead Holdings Berhad ("Boustead") have committed to ensure their combined entitlement to the rights issue, totalling RM190.0 million will be fully taken up.

Proceeds received are expected to be utilised for repayment of certain existing borrowings of the Group and the Company as well as capital expenditure for the Group's business expansion in particular to build or acquire new warehouses and product development of vaccines, insulins and other generic drugs and for working capital purpose. After the proceeds are used as intended, the Group and the Company will be able to comply with various financial covenants by reducing its net debt and shift to a positive shareholders' equity, ultimately lifting itself out from PN17 status.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

Going concern basis of preparation for the Group and the Company (continued)

The 15-month cash flow projection incorporated the impact of the following key measures that have been or are to be undertaken by the Group and the Company and the impact from financial support from the lenders and the shareholder of the Company (continued):

(ii) PN 17 status and the Proposed Regularisation Plan (continued)

The Proposed Regularisation Plan is subject to procuring the following approvals:

- Bursa Malaysia;
- the shareholders of the Company at the Extraordinary General Meeting to be convened; and
- the order of the High Court of Malaya pursuant to Section 116 of the Companies Act for the Proposed Capital Reduction.

The success and timing of the completion of the Proposed Regularisation Plan is also subject to the ability of the Company in procuring firm offers from third party investor(s) for the proposed private placement to raise gross proceeds of up to RM300.0 million. The Company is in the process of sourcing potential investors for the proposed private placement. The Company endeavours to implement the Proposed Regularisation Plan during the financial year ending 31 December 2024.

(iii) Financial support from Boustead

In the event if there is any shortfall throughout the cash flow projection period due to the delay in implementation of the Proposed Regularisation Plan, Boustead is committed to providing financial support up to RM128.8 million to the Group and the Company to enable the Group and the Company to meet their liabilities as and when they fall due, as disclosed in the Note 34(h) to the financial statements.

(iv) Potential waiver of penalties in a contract with a customer

As disclosed in Note 23(a) to the financial statements, the Group had recognised a penalty payable to its customer as at 31 December 2023 of RM95.5 million. The Group from its discussions with its customer, as disclosed in Note 36(c), expects the penalties payable of RM77.0 million to be waived, and hence, the Group has excluded this payable from its cash flow projections.

In summary, the ability of the Group and of the Company to continue as a going concern is dependent on the successful and timely implementation of the Proposed Regularisation Plan, ability of the Group to attain profitable operations, and continuous support from its shareholder(s), creditors and lenders. There could be a significant adverse impact on the cash flows of the Group and the Company for the twelve months from the date of the approval of these financial statements and the ability of the Group and the Company to comply with the covenants imposed by the lenders if the Proposed Regularisation Plan and other measures disclosed above do not materialise on a timely basis.

However, based on the measures taken above, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company for the financial year ended 31 December 2023 on a going concern basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

Amendments to published standards that are effective

On 1 January 2023, the Group and the Company have applied the following amendments to published standards:

- Amendments to MFRS 112 "Income Taxes" on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS Practice Statement 2
- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- MFRS 17 "Insurance Contracts"
- Amendments to MFRS 17 "Insurance Contracts" on 'Initial Application of MFRS 17 and MFRS 9 Comparative Information'

The adoption of the above amendments to published standards did not have any significant impact on the amounts recognised in the current period as well as any prior period and is not expected to significantly affect future periods except for the Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS Practice Statement 2.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The amendments did not result in any changes to the Group's accounting policies, however, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in Note 2(b) to Note 2(r).

Management reviewed the accounting policies and made updates to the information disclosed in the respective notes to the financial statements.

Other than the amendments to MRFS 101 and MFRS 2 Practice Statement 2 above, the adoption of these amendments to publish standards did not have any material impact on the current period or any prior period and is not likely to affect future periods.

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

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

(iii) Amendments to MFRS 107 and MFRS 7 ‘Supplier Finance Arrangements’ (effective 1 January 2024).

(iv) Amendments to MFRS 121 “The Effects of Changes in Foreign Exchange Rates” – Lack of Exchangeability (effective 1 January 2025).

(v) Amendments to MFRS 10 “Consolidated Financial Statements” and MFRS 128 “Investments in Associates and Joint Ventures” on ‘Sale or Contribution of Assets between Investor and its Associate or Joint Venture’ (the effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board).

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

(b) Change in accounting policy

On 1 January 2023, the Group changed its accounting policy with respect to the subsequent measurement of land and buildings within property, plant and equipment and leasehold land within right-of-use assets from the cost model to the fair value model, with changes in fair value recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve.

The change in accounting policy is treated as a revaluation during the year as opposed to a retrospective adjustment, for which comparative are not restated, in accordance with the specific provision in MFRS 108.

The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets, assists users to better understand the value of the Group’s assets, reflecting its market worth.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Property, plant and equipment

Land and buildings

Land and buildings within the property, plant and equipment are measured initially at cost, including transaction costs and borrowing costs if the land and buildings meet the definition of qualifying assets.

After initial recognition, land and buildings are carried at revaluation, less subsequent depreciation and impairment losses. The revaluation is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the land and buildings being valued.

When revalued land and buildings are sold, the revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The Group has opted to apply the gross method for the treatment of accumulated depreciation when revaluing assets and to recognise the depreciation charge on revalued assets as an expense in income statement.

Other property, plant and equipment

All other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses except for freehold land and capital work-in-progress which are not depreciated. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Note 2(j) on borrowings and borrowing costs).

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

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in 'other income' or 'administrative expenses' in profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Property, plant and equipment (continued)

Other property, plant and equipment (continued)

Freehold land is not depreciated as it has an infinite life. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold and leasehold lands	2% - 5%
Furniture and fittings	10% - 25%
Renovation	5% - 25%
Equipment	5% - 25%
Motor vehicles	20% - 25%
Plant and machinery	5% - 20%

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revision of the residual values and useful lives are accounted for as a change in accounting estimate and are included in profit or loss for the financial year in which the changes arise.

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

(d) Investments in subsidiaries in separate financial statements

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

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

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

(e) Intangible assets

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Research and development

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

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

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

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

Development costs work-in-progress is tested for impairment annually, in accordance with MFRS 136 “Impairment of Assets”. See Note 2(g) for accounting policy on impairment of non-financial assets.

(g) Impairment of non-financial assets

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

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Cost includes the actual cost of materials and incidental cost incurred in bringing the inventories to store. As for in-house manufactured finished goods and work-in-progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(iv) Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(v) Diluted earnings per share

Diluted earnings per share adjust the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(j) Borrowings and borrowing costs

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

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

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

(iii) Defined benefit plan

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

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

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

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss as employee benefit expense, except where included in the cost of an asset.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Employee benefits (continued)

(iv) Option Plan

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share reserves within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for the employees to hold shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

Total expenses are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share reserves in equity.

In circumstances where employees provide services in advanced of the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share reserves is transferred to retained earnings.

(v) Deferred shares – Long Term Incentive Plan

The fair value of deferred shares granted to employees for nil consideration under the Long Term Incentive Plan is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share reserves. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period with adjustments recognised in profit or loss and share reserves as appropriate.

When shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

In the separate financial statements of the Company, the shares granted by the Company over its equity instruments to the employees of subsidiaries in the Group are treated as a capital contribution to the subsidiaries. The fair value of shares granted to employees of the subsidiaries in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiaries, with a corresponding credit to equity of the Company.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised with reference to each distinct performance obligation in the contract with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of returns, rebates, discounts and any penalties imposed by the customers in respect of the sales of goods in accordance to the performance criteria as agreed with the customers. Transaction price is allocated to each performance obligation on the basis of relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of goods

The Group manufactures and sells a range of pharmaceutical products. Sales are recognised in the accounting period when control of the products has been transferred, being when the products are delivered to the customer net of any penalties charged by the customer in perfoming the obligations. Delivery occurs when the products have been shipped to the designated location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Contracts

The Group enters into contracts with customers to provide services such as system and equipment design, planning, installation and commissioning contracts. Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from services rendered is measured at the fixed transaction price agreed under the contracts.

Revenue relating to contracts is recognised in the accounting period in which the services are rendered. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. This is determined based on actual contract costs incurred. Otherwise, for example, contracts that include the installation of equipment, revenue is recognised at a point in time when the customer obtains control of the asset.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is recognised for all taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(n) Financial assets

Classification

The Group classifies its financial assets to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Financial assets (continued)

Measurement of financial asset at amortised cost

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Subsequent to initial recognition, the financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is recognised using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss or statement of comprehensive income as applicable.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the statement of profit or loss or statement of comprehensive income as applicable.

(o) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward looking information.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Impairment of financial assets (continued)

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL approach can be classified into the categories below:

(i) Trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

For measurement of ECL, trade receivables arising from the Group's principal activities have been grouped based on shared credit risk characteristics, for example type of customers, the days past due and geographical. Trade receivables which are in default or credit-impaired are assessed individually.

(ii) Other receivables and intercompany receivables

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Amounts due from subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on balances due from each individual subsidiary.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Impairment of financial assets (continued)

ECLs are measured based on a general 3-stage approach and a simplified approach.

General 3-stage approach for other receivables and amounts due from subsidiaries

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9. The identified impairment loss was immaterial.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off to profit or loss when there is no reasonable expectation of recovering the contractual cash flows.

(p) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has not designated any financial liabilities at fair value through profit or loss.

Other financial liabilities are recognised initially at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) 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.

(r) Contract assets and liabilities

Contract asset is the right to consideration in exchange for goods or services transferred to the customers. In the case of system and equipment design, planning, installation and commissioning contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

Where there is an objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration in advance or has billed the customer. In the case of system and equipment design, planning, installation and commissioning contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers, RoyalePharma Voucher and other deferred income where the Group has billed or has received consideration before the goods are delivered or services are to be rendered to the customers.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

(a) Penalties imposed by a customer (variable consideration)

As part of the supply of drugs and non-drugs to Ministry of Health ("MOH") facilities, the Group is required to meet certain performance standards. Any non-compliance will result in penalties being imposed. Therefore, in accordance with MFRS 15 "Revenue from Contracts with Customers," the Group is required to consider, at the point when services are rendered and revenue is recognised, whether it is highly probable that a significant reversal in the recognised revenue will not occur when uncertainties associated with variable considerations (in this case the penalties imposed) are subsequently resolved.

The Group applies judgment in assessing the length of period (in this case is 2 years) where MOH, in their past practice, had charged the penalty claims to the Group, and updates its estimate of the variable consideration at each reporting date. For performance obligations that were previously completed but not up to the performance standards, the variable portion of revenue will be gradually recognised for the amount unclaimed by MOH over time, until it exceeds 2 years where the Group will recognise the full revenue. This is on the basis that the Group always received the full service revenue from MOH when billed (penalty is subsequently charged), and no maturity date for MOH to make claims for past service failures.

(b) Recoverability of slow-moving and obsolete inventories

The Group assesses whether there is any indication that the cost of the inventories are recoverable at the end of the reporting period. The recoverability of these inventories are measured by comparing their carrying amount with the realisable value, taking into consideration the prevailing market conditions globally and potential demand up to the expiry date. The identification of the write down requires the use of estimates. Changes in the estimates would result in a revision to the valuation of the inventories.

An impairment of RM76.9 million (2022: RM571.7 million) of slow-moving and obsolete inventories were made during the financial year.

(c) Impairment assessment of non-financial assets

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

Recoverable amounts are determined based on the fair value less costs to sell methods, applying the income approach. The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the non-financial assets. Key assumptions are based on past experience, current assessment of market share, expectations of market growth and industry growth.

The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the non-financial assets.

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

4 REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000
Revenue consists of:				
Revenue from contracts with customers:				
- Sale of goods	**3,404,481**	3,480,935	**-**	-
- Management fees	**-**	-	**22,359**	12,902
	3,404,481	3,480,935	**22,359**	12,902
Dividend income	**-**	-	**-**	37,400
	3,404,481	3,480,935	**22,359**	50,302

Disaggregation of revenue from contracts with customers:

	Group		Company	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000
Geographical markets				
- Malaysia	**2,357,890**	2,489,257	**22,359**	12,902
- Indonesia	**1,040,121**	983,698	**-**	-
- Other countries	**6,470**	7,980	**-**	-
	3,404,481	3,480,935	**22,359**	12,902
Timing of revenue recognition				
- at a point in time	**3,404,481**	3,480,935	**-**	-
- over time	**-**	-	**22,359**	12,902
	3,404,481	3,480,935	**22,359**	12,902

5 COST OF SALES

		Group	
	Note	2023 RM'000	2022 RM'000
Amortisation of intangible assets	15	**983**	747
Depreciation of property, plant and equipment	12	**13,754**	14,198
Depreciation of right-of-use assets	13(a)	**576**	224
Employee benefit expenses	8	**50,672**	54,458
Changes in inventories of finished goods		**2,718,903**	2,745,121
Impairment of slow-moving and obsolete inventories			
- Covid-19 vaccines		**-**	552,306
- other inventories		**76,905**	7,147
Raw materials and consumables used		**145,689**	220,558
Selling and distribution costs		**62,978**	67,289
Maintenance of Pharmacy Information System		**17,950**	20,000
Others		**8,250**	8,475
		3,096,660	3,690,523

6 FINANCE COSTS

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000 Restated
Interest expenses on:					
- bankers' acceptances		**44,444**	28,836	**11,719**	5,024
- revolving credits		**17,061**	10,878	**12,225**	12,664
- lease liabilities	13(b)	**235**	240	**-**	-
- hire purchase		**103**	84	**-**	-
- advance by a subsidiary company		**-**	-	**15,499**	8,284
- advance by immediate holding company		**-**	-	**115**	-
		61,843	40,038	**39,558**	25,972

7 LOSS BEFORE ZAKAT AND TAXATION

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

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Auditors' remuneration					
(i) statutory audit fees:					
- PricewaterhouseCoopers PLT, Malaysia		**780**	628	**291**	177
- firms other than member firms of PricewaterhouseCoopers International Limited		**207**	210	**-**	-
(ii) other non-audit fees					
- PricewaterhouseCoopers PLT, Malaysia		**25**	70	**25**	51
- firms other than member firms of PricewaterhouseCoopers International Limited		**20**	-	**-**	-
Directors' fees:					
- Executive	8	**-**	20	**-**	20
- Non-executive		**819**	1,032	**730**	896
Directors' salaries, other allowances and emoluments					
- Executive		**494**	3,628	**494**	3,626
- Non-executive		**254**	211	**232**	152
Employee benefit expenses	8	**208,129**	207,095	**20,602**	9,232
Expenses arising from leases of low-value assets		**5,828**	5,853	**175**	224
Warehousing and storage charges		**5,857**	8,685	**8**	8
Foreign exchange losses		**-**	3,450	**-**	-
Impairment loss on:					
- trade receivables	17	**2,294**	853	**-**	-
- amount due from subsidiaries	19(a)	**-**	-	**30,876**	14,171
Impairment of slow-moving and obsolete inventories:					
- Covid-19 vaccines		**-**	552,306	**-**	-
- other inventories		**76,905**	19,387	**-**	-
Right-of-use assets:					
- depreciation	13(a)	**10,976**	6,403	**-**	-
Intangible assets:					
- amortisation	15	**6,622**	5,916	**-**	-
- written off	15	**14,652**	6,518	**-**	-
- impairment loss	15	**-**	50,274	**-**	-
Impairment of investment in subsidiaries	14	**-**	-	**20,148**	19,000

7 LOSS BEFORE ZAKAT AND TAXATION (CONTINUED)

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

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Management fees paid/payable to immediate holding company		**308**	308	**308**	308
Property, plant and equipment:					
- depreciation	12	**24,106**	24,116	**-**	-
- written off	12	**6,719**	325	**-**	-
- impairment loss	12	**6,694**	-	**-**	-

During the financial year, the Group incurred a total of RM13,425,000 (2022: RM21,992,000) for research and development expenses, of which RM9,195,000 (2022: RM12,508,000) has been recognised as capitalised development cost of work-in-progress and capitalised development cost under Intangible Assets as disclosed in Note 15.

(b) Interest income

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000 Restated
Interest income from:				
- deposits with licensed banks	**1,477**	910	**50**	14
- advances to subsidiaries	**-**	-	**35,788**	27,686
	1,477	910	**35,838**	27,700

(c) Other income

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gain on disposal of property, plant and equipment		**864**	51	**-**	-
Utilisation of government grant	25	**261**	331	**-**	-
Foreign exchange gains, net		**1,127**	42	**-**	41
Others		**397**	2,694	**59**	-
		2,649	3,118	**59**	41

8 EMPLOYEE BENEFIT EXPENSES

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries and bonuses		**130,500**	135,201	**15,435**	3,759
Defined contribution plan		**17,557**	19,332	**2,179**	2,029
Defined benefit plan	30	**2,277**	965	**-**	-
Share-based expenses on Option Plan		**-**	1,858	**-**	76
Other short-term employee benefits		**57,795**	49,739	**2,988**	3,368
		208,129	207,095	**20,602**	9,232
Executive Directors' remuneration:					
- Salaries and bonuses		**422**	2,830	**422**	2,830
- Fees		**-**	20	**-**	20
- Defined contribution plan		**51**	443	**51**	443
- Share-based expenses:					
• Option Plan		**-**	96	**-**	96
• Long Term Incentive Plan		**-**	138	**-**	138
- Other short-term employee benefits		**21**	121	**21**	119
		494	3,648	**494**	3,646
Total		**208,623**	210,743	**21,096**	12,878
Employee benefit expenses included in:					
- cost of sales	5	**50,672**	54,458	**-**	-
- administrative expenses		**157,951**	156,265	**21,096**	12,858
Executive Directors' fees	7(a)	**-**	20	**-**	20
		208,623	210,743	**21,096**	12,878

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM2,277 (2022: RM13,200).

9 TAXATION

		Group		Company	
	Note	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000
Current tax:					
- Malaysian income tax		**13,952**	4,936	**1,564**	-
- foreign income tax		**4,954**	1,341	**-**	-
- under provision in prior years		**5,102**	8,682	**477**	-
		24,008	14,959	**2,041**	-
Deferred tax:					
- origination and reversal of temporary differences	29	**(23,427)**	1,898	**(1,929)**	(10,703)
Tax expense/(income)		**581**	16,857	**112**	(10,703)

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

	Group		Company	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000
Loss before taxation after zakat	**(78,163)**	(610,797)	**(63,182)**	(6,344)
Statutory income tax at rate of 24% (2022: 24%)	**(18,759)**	(146,591)	**(15,164)**	(1,523)
Different tax rates in other country	**(290)**	(203)	**-**	-
Tax effects of:				
Expenses not deductible for tax purpose	**12,324**	31,807	**14,815**	10,499
Expenses subject to double deduction	**(1,373)**	(5,097)	**-**	-
Income not subject to tax	**(390)**	(1,009)	**(16)**	(8,976)
Utilisation of previously unrecognised deductible temporary differences	**-**	(3,285)	**-**	(512)
Deductible temporary difference not recognised	**3,967**	132,553	**-**	(10,191)
Under provision of tax in prior years	**5,102**	8,682	**477**	-
Tax expense/(income)	**581**	16,857	**112**	(10,703)

10 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share of the Group is calculated by dividing the loss attributable to ordinary equity holders of the Company for the financial year by the average number of ordinary shares in issue during the financial year.

	Group	
	2023	**2022 Restated**
Net loss attributable to owners of the Company (RM'000)	**(80,160)**	(629,921)
Weighted average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971
Basic loss per share (sen)	**(5.86)**	(48.09)

(b) Diluted loss per share

For the diluted loss per share calculation, the average number of ordinary shares in issue is adjusted to assume the full conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are Option Plan and Long Term Incentive Plan ("LTIP").

For the shares granted under the Option Plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding shares under the Option Plan. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares under the Option Plan. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the outstanding ordinary shares for the purpose of computing the dilution. No adjustment is made to loss for the financial year for the shares granted under the Option Plan calculation.

For the shares granted under the LTIP, the outstanding number of shares granted to eligible employees is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to loss for the financial year for the shares granted under the LTIP calculation.

	Group	
	2023	**2022 Restated**
Net loss attributable to owners of the Company (RM'000)	**(80,160)**	(629,921)
Weighted average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	-
Weighted average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971
Diluted loss per share (sen)	**(5.86)**	(48.09)

The options granted under the Group's Option Plan are anti-dilutive as they are out-of-the-money and have not been considered in the calculation of diluted loss per share.

11 DIVIDENDS

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

	Company	
	2022	
	Dividend per share sen	Amount of dividend RM'000
In respect of the financial year ended 31 December 2022:		
- First interim single tier dividend	0.8	10,480
- Second interim single tier dividend	0.5	6,550
- Third interim single tier dividend	0.6	7,859
In respect of the financial year ended 31 December 2021:		
- Fourth interim single tier dividend	5.0	65,498
	6.9	90,387

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2023.

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 2023						
At cost	**-**	**154,204**	**14,101**	**328,713**	**109,283**	**606,301**
At valuation	**394,009**	**-**	**-**	**-**	**-**	**394,009**
Accumulated depreciation	**(143,637)**	**(126,959)**	**(11,423)**	**(202,972)**	**-**	**(484,991)**
Net book value	**250,372**	**27,245**	**2,678**	**125,741**	**109,283**	**515,319**
At 31 December 2022						
At cost	279,676	151,284	16,392	323,238	75,421	846,011
Accumulated depreciation	(116,224)	(119,500)	(13,432)	(192,667)	-	(441,823)
Net book value	163,452	31,784	2,960	130,571	75,421	404,188
At 1 January 2022						
At cost	280,767	144,263	14,769	315,836	30,166	785,801
Accumulated depreciation	(112,954)	(113,805)	(12,968)	(181,457)	-	(421,184)
Net book value	167,813	30,458	1,801	134,379	30,166	364,617

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 2023		**163,452**	**31,784**	**2,960**	**130,571**	**75,421**	**404,188**
Additions		**1,281**	**2,352**	**1,091**	**4,826**	**46,016**	**55,566**
Disposals		**(131)**	**(45)**	**(251)**	**(25)**	**-**	**(452)**
Written off	7(a)	**(821)**	**(1,548)**	**-**	**(1,127)**	**(3,223)**	**(6,719)**
Reclassification to right-of-use assets	13(a)	**(1,373)**	**-**	**-**	**-**	**-**	**(1,373)**
Reclassification		**5,688**	**595**	**-**	**2,648**	**(8,931)**	**-**
Revaluation surplus		**93,984**	**-**	**-**	**-**	**-**	**93,984**
Depreciation charged	7(a)	**(5,563)**	**(6,133)**	**(1,108)**	**(11,302)**	**-**	**(24,106)**
Impairment loss	7(a)	**(6,694)**	**-**	**-**	**-**	**-**	**(6,694)**
Foreign exchange adjustments		**549**	**240**	**(14)**	**150**	**-**	**925**
At 31 December 2023		**250,372**	**27,245**	**2,678**	**125,741**	**109,283**	**515,319**
At 1 January 2022		167,813	30,458	1,801	134,379	30,166	364,617
Additions		848	6,652	1,996	2,044	52,760	64,300
Disposals		(1)	(3)	-	-	-	(4)
Written off	7(a)	-	(309)	-	(16)	-	(325)
Reclassification		-	1,853	-	5,801	(7,654)	-
Depreciation charged	7(a)	(5,264)	(6,532)	(868)	(11,452)	-	(24,116)
Foreign exchange adjustments		56	(335)	31	(185)	149	(284)
At 31 December 2022		163,452	31,784	2,960	130,571	75,421	404,188

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Analysis of land and buildings:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Group				
At 31 December 2023				
At valuation	**105,032**	**125,790**	**163,187**	**394,009**
Accumulated depreciation	**-**	**(52,356)**	**(91,281)**	**(143,637)**
Net book value at valuation	**105,032**	**73,434**	**71,906**	**250,372**
At 31 December 2022				
At cost	25,655	121,075	132,946	279,676
Accumulated depreciation	-	(45,919)	(70,305)	(116,224)
Net book value	25,655	75,156	62,641	163,452
At 1 January 2022				
At cost	25,545	121,338	133,884	280,767
Accumulated depreciation	-	(43,907)	(69,047)	(112,954)
Net book value	25,545	77,431	64,837	167,813

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Group				
At 31 December 2023				
At cost	**24,282**	**120,885**	**140,333**	**285,500**
Accumulated depreciation	**-**	**(48,770)**	**(79,209)**	**(127,979)**
Net book value	**24,282**	**72,115**	**61,124**	**157,521**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Analysis of land and buildings (continued):

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Group				
Movements in net book value				
At 1 January 2023	**25,655**	**75,156**	**62,641**	**163,452**
Additions	**-**	**-**	**1,281**	**1,281**
Disposal	**-**	**(131)**	**-**	**(131)**
Written off	**-**	**(821)**	**-**	**(821)**
Reclassification to right-of-use assets	**(1,373)**	**-**	**-**	**(1,373)**
Reclassification	**-**	**-**	**5,688**	**5,688**
Revaluation surplus	**80,750**	**1,658**	**11,576**	**93,984**
Depreciation charged	**-**	**(2,677)**	**(2,886)**	**(5,563)**
Impairment loss	**-**	**-**	**(6,694)**	**(6,694)**
Foreign exchange adjustments	**-**	**249**	**300**	**549**
At 31 December 2023	**105,032**	**73,434**	**71,906**	**250,372**
At 1 January 2022	25,545	77,431	64,837	167,813
Additions	-	-	848	848
Disposal	-	-	(1)	(1)
Depreciation charged	-	(2,282)	(2,982)	(5,264)
Foreign exchange adjustments	110	7	(61)	56
At 31 December 2022	25,655	75,156	62,641	163,452

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Analysis of furniture, fittings, renovation and equipment:

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
At 31 December 2023				
At cost	**35,569**	**47,474**	**71,161**	**154,204**
Accumulated depreciation	**(27,969)**	**(39,777)**	**(59,213)**	**(126,959)**
Net book value	**7,600**	**7,697**	**11,948**	**27,245**
At 31 December 2022				
At cost	33,975	46,629	70,680	151,284
Accumulated depreciation	(25,253)	(37,193)	(57,054)	(119,500)
Net book value	8,722	9,436	13,626	31,784
At 1 January 2022				
At cost	33,269	44,109	66,885	144,263
Accumulated depreciation	(24,878)	(34,649)	(54,278)	(113,805)
Net book value	8,391	9,460	12,607	30,458

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Analysis of furniture, fittings, renovation and equipment (continued):

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Movements in net book value				
At 1 January 2023	**8,722**	**9,436**	**13,626**	**31,784**
Additions	**1,389**	**412**	**551**	**2,352**
Disposals	**(33)**	**-**	**(12)**	**(45)**
Written off	**(1,265)**	**(5)**	**(278)**	**(1,548)**
Reclassification	**-**	**296**	**299**	**595**
Depreciation charged	**(1,192)**	**(2,615)**	**(2,326)**	**(6,133)**
Foreign exchange adjustments	**(21)**	**173**	**88**	**240**
At 31 December 2023	**7,600**	**7,697**	**11,948**	**27,245**
At 1 January 2022	8,391	9,460	12,607	30,458
Additions	1,643	2,018	2,991	6,652
Disposals	-	(2)	(1)	(3)
Written off	(296)	-	(13)	(309)
Reclassification	198	735	920	1,853
Depreciation charged	(1,202)	(2,490)	(2,840)	(6,532)
Foreign exchange adjustments	(12)	(285)	(38)	(335)
At 31 December 2022	8,722	9,436	13,626	31,784

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, depreciation of RM13,754,000 (2022: RM14,198,000) is included in ‘cost of sales’ and RM10,352,000 (2022: RM9,918,000) in ‘administrative expenses’ in profit or loss.

Included in the capital work-in-progress is interest capitalised of RM3,363,000 (2022: RM2,699,000).

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	
	2023 RM’000	2022 RM’000
Plant and machinery	**717**	749
Equipment	**1,808**	1,495
Motor vehicles	**127**	273
	2,652	2,517

The net cash outflows for the acquisition of property, plant and equipment during the financial year are as follows:

	Group	
	2023 RM’000	2022 RM’000
Acquisition of property, plant and equipment during the financial year	**55,566**	64,300
Less: Accrual of property, plant and equipment	**(12,836)**	(9,010)
Less: Acquired through hire purchase arrangements	**(1,068)**	(1,412)
Add: Payments for property, plant and equipment purchased in prior year	**9,010**	5,383
Net cash outflows for the acquisition of property, plant and equipment	**50,672**	59,261

Security

At 31 December 2023, freehold land with a carrying amount of RM44,400,000 (2022: RM9,457,000) is subject to a registered debenture to secure bank loans granted to the Group (see Note 26(d)).

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value

The Group obtains independent valuations for its freehold land and buildings ("properties") at least annually or at least every three year if there is no significant changes on the assumptions used in the valuations.

The fair value of the Group's properties are determined using Level 3 inputs in the fair value hierarchy of MFRS 13 - Fair Value Measurements, which are measured by reference to valuation by independent professional valuers.

At the end of each financial year ended, the Directors will update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates.

Freehold land

Freehold land is valued using current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences using the comparable method that derived from transacted prices per square foot from sales of comparable properties, adjusted for the property size, location and date of transaction.

The fair value of the Group's lands are determined using Level 3 inputs in the fair value hierarchy of MFRS 13 - Fair Value Measurements, which are measured by reference to valuation by independent professional valuers.

All resulting fair value estimates for freehold land are included in Level 3. The level 3 fair value of freehold land has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

Buildings

The value of buildings is arrived by the Depreciated Replacement Cost Method. In this method, the building value is taken to be equal to the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the buildings as new and allowing for depreciation for physical, functional and economic obsolescence.

The fair value of the Group's buildings are determined using Level 3 inputs in the fair value hierarchy of MFRS 13 - Fair Value Measurements, which are measured by reference to valuation by independent professional valuers.

The Level 3 inputs or unobservable inputs include discount rates, terminal yields and expected vacancy rates are estimated by independent valuer based on comparable transactions and industry data.

The independent valuations for these freehold land and buildings were performed on 1 January 2023. Subsequently, certain freehold land and buildings were revalued as at 31 December 2023. For the remaining properties, desktop review was obtained by the Directors to ensure there is no significant changes in value to the properties.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Nature and purpose of revaluation surplus

The land and buildings within property, plant and equipment and leasehold land within right-of-use assets revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy Note 2(c) for details.

Impairment assessment for property, plant and equipment

An impairment assessment was undertaken for the Group's small volume injectable production plant, as it has not been utilised to its optimum production capacity as most of the products are still in the development stage.

(a) Land and buildings

The recoverable amount of the land and buildings occupied by the small volume injectable production plant are determined by an independent professional valuer based on the comparative method.

(b) Property, plant and equipment other than land and buildings

The carrying values of property, plant and equipment other than land and buildings occupied by the Group's small volume injectable production plant as at 31 December 2023 is RM87.5 million (2022: RM78.9 million).

The recoverable amount was determined based on the fair value less costs to sell ("FVLCS") calculations, which applied the income approach, based on market participants' view covering a five (5) year period. The FVLCS calculation, using level three (3) in the fair value hierarchy, reflects revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the small volume injectable production plant. In determining the value of each key assumption, management used the historical data of demand for its existing products in combination with management budget for 2024 (2022: management budget for 2023) and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the small volume injectable production plant. Delays in production of new products or if they are not sold within a reasonable timeframe will impact the plant's recoverable amount.

The key assumptions attributable to the products produced by the plant used in the impairment testing are as follows:

	2023 %	2022 %
Sales growth rate (per annum)	**4.6 to > 100.0**	4.6 to >100.0
Product margins	**0 to 95.0**	0 to 96.0
Discount rate (per annum)	**9.5**	9.0
Terminal growth	**2.2**	2.2

Based on management's assessment, no impairment charge is required on the carrying value of the small volume injectable production plant in the current and previous financial years. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the small volume injectable production plant to materially exceed the recoverable amount in the current and previous financial years.

13 LEASES

(a) Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Group				
At 31 December 2023				
At cost	**-**	**35,042**	**1,729**	**36,771**
At valuation	**111,870**	**-**	**-**	**111,870**
Accumulated depreciation	**(35,564)**	**(21,247)**	**(1,401)**	**(58,212)**
Net book value	**76,306**	**13,795**	**328**	**90,429**
At 31 December 2022				
At cost	30,137	28,716	1,729	60,582
Accumulated depreciation	(7,476)	(13,193)	(1,067)	(21,736)
Net book value	22,661	15,523	662	38,846
At 1 January 2022				
At cost	30,193	14,384	1,663	46,240
Accumulated depreciation	(6,878)	(7,722)	(667)	(15,267)
Net book value	23,315	6,662	996	30,973

13 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

	Note	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Movements in net book value					
At 1 January 2023					
- At cost		**-**	**15,523**	**662**	**16,185**
- At valuation		**22,661**	**-**	**-**	**22,661**
Additions		**12,654**	**5,960**	**-**	**18,614**
Disposals		**(4,412)**	**-**	**-**	**(4,412)**
Reclassification from property, plant and equipment	12	**1,373**	**-**	**-**	**1,373**
Derecognition		**-**	**(79)**	**-**	**(79)**
Revaluation surplus		**46,551**	**-**	**-**	**46,551**
Depreciation charged	7(a)	**(2,667)**	**(7,975)**	**(334)**	**(10,976)**
Foreign exchange adjustments		**146**	**366**	**-**	**512**
At 31 December 2023		**76,306**	**13,795**	**328**	**90,429**
At 1 January 2022		23,315	6,662	996	30,973
Additions		-	14,472	-	14,472
Depreciation charged	7(a)	(598)	(5,471)	(334)	(6,403)
Foreign exchange adjustments		(56)	(140)	-	(196)
At 31 December 2022		22,661	15,523	662	38,846

If the leasehold land was stated on the historical cost basis, the amounts would be as follows:

	Leasehold land RM'000
Group	
At 31 December 2023	
At cost	**43,351**
Accumulated depreciation	**(9,166)**
Net book value	**34,185**

13 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

During the financial year, depreciation of RM576,000 (2022: RM224,000) is included in ‘cost of sales’ and RM10,400,000 (2022: RM6,179,000) in ‘administrative expenses’ in profit or loss.

As at 31 December 2023, the Group leases the land for a period of 2 to 77 years. As at 31 December 2023, rental contracts for buildings are typically made for fixed periods ranging from 1 to 2 years, but may have extension or termination options of which the Group is not reasonably certain to exercise. As at 31 December 2023, potential future cash outflows of RM1,531,000 (2022: RM1,530,000) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Fair value

The Group obtains independent valuations for its leasehold land at least annually or at least every three year if there is no significant changes on the assumptions used in the valuations.

At the end of each financial year ended, the Directors will update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property’s value within a range of reasonable fair value estimates.

Leasehold land

Leasehold land is valued using current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences using the comparable method that derived from transacted prices per square foot from sales of comparable properties, adjusted for the property size, location and date of transaction.

The fair value of the Group’s lands is determined using Level 3 inputs in the fair value hierarchy of MFRS 13 - Fair Value Measurements, which are measured by reference to valuation by independent professional valuers.

All resulting fair value estimates for leasehold lands are included in Level 3. The level 3 fair value of leasehold land has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

Security

At 31 December 2023, leasehold land with a carrying amount of RM11,436,000 (2022: Nil) is subject to a registered debenture to secure bank loans granted to the Group (see Note 26(d)).

(b) Lease liabilities

	Group	
	2023 RM’000	**2022 RM’000**
Current	**3,943**	5,155
Non-current	**341**	4,038
	4,284	9,193

13 LEASES (CONTINUED)

Reconciliation of lease liabilities

The following table illustrates the changes in lease liabilities, including both changes arising from cash flows and non-cash changes during the financial year:

	At 1 January 2023 RM'000	Net cash flow RM'000	Interest charges RM'000	Acquisition RM'000	Foreign exchange movement RM'000	At 31 December 2023 RM'000
Group						
Lease liabilities	**9,193**	**(11,077)**	**235**	**5,960**	**(27)**	**4,284**

	At 1 January 2022 RM'000	Net cash flow RM'000	Interest charges RM'000	Acquisition RM'000	Foreign exchange movement RM'000	At 31 December 2022 RM'000
Group						
Lease liabilities	1,634	(7,026)	240	14,472	(127)	9,193

14 SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Investment in subsidiaries:		
Unquoted shares, at cost	**586,954**	586,954
Less: Accumulated impairment losses	**(43,042)**	(22,894)
	543,912	564,060
Capital contribution to subsidiaries	**12,160**	12,160
	556,072	576,220

Capital contribution to subsidiaries

The fair value of deferred shares granted to eligible employees of subsidiaries of the Company in respect of the Company's Share Scheme is treated as capital contributions to the subsidiaries.

14 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries incorporated and principal place of business in Malaysia, unless otherwise stated, are as follows:

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2023	2022
Subsidiaries of the Company				
Idaman Pharma Manufacturing Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM25,000,000	**100**	100
Pharmaniaga Manufacturing Berhad	Manufacture and sale of pharmaceutical products	RM10,015,000	**100**	100
Pharmaniaga LifeScience Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM200,000,000	**100**	100
Pharmaniaga Logistics Sdn. Bhd.	Distribution of pharmaceutical and medical products	RM40,000,000	**100**	100
Pharmaniaga Marketing Sdn. Bhd.	Trading and marketing of pharmaceutical and medical products	RM3,000,000	**100**	100
Pharmaniaga Research Centre Sdn. Bhd.	Conduct research and development of pharmaceutical products	RM10,000,000	**100**	100
Pristine Pharma Sdn. Bhd. ^	Trading and wholesailing of consumer products	RM20,000,050	**100**	100
Bio-Collagen Technologies Sdn. Bhd.	Dormant	RM2,000,000	**100**	100
Pharmaniaga Biomedical Sdn. Bhd. ^	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM103,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. @	Dormant	USD100,000	**100**	100
Subsidiary of Pristine Pharma Sdn. Bhd.				
Paradigm Industry Sdn. Bhd. ^	Manufacture and sale of food supplements	RM100,000	**100**	100

14 SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2023	2022
Subsidiaries of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *# ("PT MPI")	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia	IDR127,400,000,000	**73**	73
PT Mega Pharmaniaga # &	Dormant	IDR11,372,400,000	**95**	95
PT Errita Pharma *# ("PT Errita")	Manufacture and sale of pharmaceutical products in Indonesia	IDR95,832,000,000	**96**	96
Subsidiary of PT MPI				
PT Digital Pharma Andalan Indonesia *#	Developing Pharmacy Management System for ordering management system, point-of-sale transactions and inventory management	IDR247,500	**73**	-

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers PLT, Malaysia
@ Incorporated in Republic of Seychelles
# Incorporated in Indonesia
^ Ceased operations during the year
& In the midst of liquidation

14 SUBSIDIARIES (CONTINUED)

Impairment assessment on investment in subsidiaries

During the financial year, the Company performed impairment assessments of its investments in certain subsidiaries as there were indicators of impairment due to objective evidence of non-recoverability attributable to the changes in macroeconomic outlook and pre-existing business challenges, including the impact of Covid-19 as follows:

(a) Pristine Pharma Sdn. Bhd. ("PPSB")

During the financial year, the Group changed its strategy direction to focus on its core business, i.e logistic and manufacturing divisions. Due to PPSB's long gestation period and uncertain business environment of its consumer health care operations in Malaysia, on 24 May 2023, the Board approved the closure of PPSB and subsequently ceased the operations of PPSB.

During the financial year, the Company had fully impaired the costs of investment in PPSB of RM20.1 million based on the impairment assessment performed.

(b) Pharmaniaga Lifescience Sdn. Bhd. ("PLS")

The Company had performed an impairment assessment of its investment in PLS of RM200.0 million (2022: RM200.0 million) as PLS operates a small volume injectable production plant which has not been utilised to its optimum production capacity. The recoverable amount for PLS was determined based on FVLCS calculations, which applied a discounted cash flow model of the small volume injectable production plant, as disclosed in Note 12 to the financial statements, adjusted for tax and repayment of intercompany balances. In measuring the recoverable amount, discount rate of 9.5% (2022: 9.0%) per annum representing the cost of equity has been applied. Other key assumptions used in the projections are disclosed in Note 12 to the financial statements.

No impairment loss was required for the investment in PLS as at 31 December 2023 as the recoverable amount is in excess of its carrying amount.

There are no reasonably possible changes in any of the key assumptions used that would cause the carrying amount of the cost of investment to materially exceed the recoverable amount.

14 SUBSIDIARIES (CONTINUED)

Impairment assessment on investment in subsidiaries (continued)

(c) Pharmaniaga Logistic Sdn. Bhd. ("PLSB")

The Company had performed an impairment assessment of its investment in PLSB of RM143.3 million (2022: RM143.3 million) based on FVLCS calculations using Level 3 in the fair value hierarchy.

The FVLCS calculation was based on a discounted cash flow projection covering a seven (7) year period. These projections were derived from the five (5) year budget approved by the Directors, with the assumption that the concession agreement with the government, scheduled to end in 2030, as disclosed in Note 36 to the financial statements, and in line with the terms of the signed concession agreement, would continue uninterrupted. The projections reflect market participants' expectation of sales volume growth and product margins for the investment based on the current assessment of market share and expectations of market growth.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the investment. In determining the value of each key assumption, management used the historical data of the investment in combination with management budget for 2024 (2022: management budget for 2023) and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the investment.

The key assumptions used in the impairment testing are as follows:

	2023 %	**2022** %
Sales growth rate (per annum)	**4.0 to 10.0**	<1.0 to 14.6
Product margins	**7.0 to 8.0**	6.4 to 7.3
Discount rate (per annum)*	**8.5**	12.1
Terminal growth	**2.2**	2.2

* *The discount rate in 2022 reflects the uncertainty risk specific to the PLSB as the concession agreement was not signed as at 31 December 2022.*

The Company's review includes an impact assessment of changes in key assumptions. Based on the assessment performed, the Directors concluded that no reasonable possible change in the assumptions would cause the carrying amount of the investment to exceed their recoverable amount.

14 SUBSIDIARIES (CONTINUED)

Impairment assessment on investment in subsidiaries (continued)

(d) Pharmaniaga International Corporation Sdn. Bhd. ("PNIC")

In the previous financial year, the Company conducted an impairment assessment in its investment in PNIC due to the long gestation period and uncertain business environment of its manufacturing operations in Indonesia.

The discounted cash flows projections covered a period of five (5) years for PT MPI and ten (10) years for PT Errita with terminal values that reflects the industry's product lifecycle from development to commercialisation developed based on the five (5) years approved budget by the Directors. The business plan reflected the investment expectation of plant capacity and utilisation, revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth.

The valuation technique used a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the Indonesia operations. In determining the value of each key assumption, management used the historical data of Indonesia operations in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique were assumed to represent the market participants' expectation of the highest and best use of the investment.

The key assumptions used for Indonesia manufacturing operations were as follows:

	2022 %
Sales growth rate (per annum)	3.0 to 50.0
Product margins	14.0 to 36.0
Discount rate (per annum)	18.3 to 21.7
Terminal growth	3.2 to 3.3

The Company's review included an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible change in the assumptions would cause the carrying amount of the investment in PNIC to exceed their recoverable amount.

Based on the impairment assessment performed, the Company recognised an impairment loss of RM19.0 million in the previous financial year.

14 SUBSIDIARIES (CONTINUED)

Summarised financial information of a subsidiary with material non-controlling interests

Set out below are the summarised financial information for the Group's subsidiary, PT Millennium Pharmacon International Tbk ("PT MPI") that has non-controlling interests that is material to the Group. The amounts disclosed below are before intercompany eliminations.

Summarised statement of financial position

	PT MPI	
	2023 RM'000	**2022 RM'000**
Current		
Assets	**433,305**	364,463
Liabilities	**(373,955)**	(311,883)
Total current net assets	**59,350**	52,580
Non-current		
Assets	**55,082**	34,336
Liabilities	**(22,067)**	(7,572)
Total non-current net assets	**33,015**	26,764
Net assets	**92,365**	79,344
Net assets attributable to non-controlling interests at the end of the financial year	**24,569**	21,106
Proportion of effective equity interests held by non-controlling interests (%)	**27**	27

14 SUBSIDIARIES (CONTINUED)

Summarised financial information of a subsidiary with material non-controlling interests (continued)

Summarised statement of profit or loss and statement of comprehensive income

	PT MPI	
	2023 RM'000	**2022 RM'000**
Revenue	**998,300**	944,261
Profit before taxation	**11,084**	10,142
Taxation	**(5,615)**	(1,341)
Net profit for the financial year	**5,469**	8,801
Other comprehensive income/(loss)	**8,344**	(2,600)
Total comprehensive income, net of tax for the financial year	**13,813**	6,201
Net profit for the financial year allocated to non-controlling interests	**1,455**	2,341
Total comprehensive income allocated to non-controlling interests	**3,674**	1,649
Dividend paid to non-controlling interests	**211**	99
Summarised statement of cash flows		
Cash used in operations	**(1,366)**	(18,929)
Interest paid	**(16,080)**	(11,829)
Net tax paid	**(4,752)**	(1,851)
Net cash used in operating activities	**(22,198)**	(32,609)
Net cash used in investing activities	**(1,769)**	(4,311)
Net cash generated from financing activities	**36,988**	27,912
Net changes in cash and cash equivalents	**13,021**	(9,008)
Cash and cash equivalents at beginning of financial year	**3,747**	13,052
Foreign exchange differences	**222**	(297)
Cash and cash equivalents at end of financial year	**16,990**	3,747

15 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Software RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Rights to sell RM'000	Manufacturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Group										
Cost										
At 1 January 2023		143,016	25,183	42,546	12,395	9,453	16,396	3,750	3,071	255,810
Reclassification		-	-	(171)	171	-	-	-	-	-
Reclassification to prepayment		-	-	(708)	-	-	-	-	-	(708)
Additions		-	799	9,195	-	342	-	-	-	10,336
Written off	7(a)	-	(6,216)	(12,811)	-	-	-	-	-	(19,027)
Foreign exchange adjustments		127	382	267	-	-	886	214	-	1,876
At 31 December 2023		143,143	20,148	38,318	12,566	9,795	17,282	3,964	3,071	248,287
Less: Accumulated amortisation										
At 1 January 2023		-	6,523	-	1,568	1,420	14,943	2,049	975	27,478
Amortisation charged	7(a)	-	1,913	-	1,021	1,943	1,482	263	-	6,622
Written off	7(a)	-	(4,375)	-	-	-	-	-	-	(4,375)
Foreign exchange adjustments		-	246	-	-	-	857	130	-	1,233
At 31 December 2023		-	4,307	-	2,589	3,363	17,282	2,442	975	30,958
Less: Accumulated impairment										
At 1 January 2023 / 31 December 2023		65,675	-	-	-	-	-	-	2,096	67,771
Net book value										
At 31 December 2023		77,468	15,841	38,318	9,977	6,432	-	1,522	-	149,558

15 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill RM'000	Software RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Rights to sell RM'000	Manufacturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Group										
Cost										
At 1 January 2022		144,876	20,691	54,350	4,054	-	16,950	3,883	3,071	247,875
Reclassification		-	-	(15,728)	6,275	9,453	-	-	-	-
Additions		-	4,683	10,300	2,208	-	-	-	-	17,191
Written off	7(a)	-	-	(6,376)	(142)	-	-	-	-	(6,518)
Foreign exchange adjustments		(1,860)	(191)	-	-	-	(554)	(133)	-	(2,738)
At 31 December 2022		143,016	25,183	42,546	12,395	9,453	16,396	3,750	3,071	255,810
Less: Accumulated amortisation										
At 1 January 2022		-	5,049	-	821	-	13,656	1,864	975	22,365
Amortisation charged	7(a)	-	1,665	-	747	1,420	1,822	262	-	5,916
Foreign exchange adjustments		-	(191)	-	-	-	(535)	(77)	-	(803)
At 31 December 2022		-	6,523	-	1,568	1,420	14,943	2,049	975	27,478
Less: Accumulated impairment										
At 1 January 2022		15,401	-	-	-	-	-	-	2,096	17,497
Impairment charged	7(a)	50,274	-	-	-	-	-	-	-	50,274
At 31 December 2022		65,675	-	-	-	-	-	-	2,096	67,771
Net book value										
At 31 December 2022		77,341	18,660	42,546	10,827	8,033	1,453	1,701	-	160,561

15 INTANGIBLE ASSETS (CONTINUED)

During the financial year, amortisation of RM983,000 (2022: RM747,000) is included in ‘cost of sales’ and RM5,639,000 (2022: RM5,169,000) in ‘administrative expenses’ in profit or loss.

Included in the addition of capitalised development cost of work-in-progress is interest capitalised of Nil (2022: RM1,162,000).

The net cash outflows for the acquisition of intangible assets during the financial year are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Additions during the financial year	**10,336**	17,191
Less: Accrual of intangible assets	**(258)**	(258)
Add: Payment for intangible assets acquired in prior year	**258**	1,443
Net cash outflows on the acquisition of intangible assets	**10,336**	18,376

Impairment assessment for goodwill

Goodwill is intangible assets with indefinite useful lives. These assets are not amortised as they are not confined to a predetermined service period and they are expected to contribute to net cash inflows indefinitely, but are tested for impairment annually, either individually or at the cash-generating unit (“CGU”) level. The carrying amounts of goodwill allocated to the Group’s CGUs are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Malaysia		
Trading and distribution	**16,839**	16,839
Manufacturing	**58,205**	58,205
Indonesia		
Trading and distribution	**2,424**	2,297
Total	**77,468**	77,341

15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for goodwill (continued)

(a) Operations in Malaysia: Trading and distribution, and Manufacturing;

The recoverable amounts of the CGUs were determined based on the FVLCS method, which applied the income approach. The discounted cash flow projections cover a period of five (5) years with terminal values for each CGU, except for the Malaysia trading and distribution CGU, which has a budget period of seven (7) years developed based on the five (5) years budget approved by the Directors, based on the concession agreement with government for the period from 1 July 2023 to 30 June 2030 as mentioned in Note 36. The projections reflect management's expectation of sales volume growth and product margins for the CGUs based on the current assessment of market share and expectations of market growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the respective CGUs. In determining the value of each key assumption, management used the historical data of respective CGUs in combination with management budget for 2024 (2022: management budget for 2023) and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the CGU.

The key assumptions used in the impairment testing are as follows:

	Malaysia	
	Trading and distribution %	Manufacturing %
2023		
Sales growth rate (per annum)	**4.0 to 10.0**	**3.0 to 38.0**
Product margins	**7.0 to 8.0**	**30.0 to 45.0**
Discount rate (per annum)	**8.5**	**9.5**
Terminal growth rate	**N/A**	**2.2**
2022		
Sales growth rate (per annum)	<1.0 to 14.6	3.0 to 56.0
Product margins	6.4 to 7.3	28.7 to 32.4
Discount rate (per annum)*	9.5	14.7
Terminal growth rate	N/A	2.2

* *The discount rate in 2022 reflects the uncertainty risk for the CGUs.*

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible change in the assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for goodwill (continued)

(b) Operations in Indonesia: Manufacturing

In the previous financial year, the Group fully impaired RM50,274,000 on the goodwill of Indonesia manufacturing CGU due to the long gestation and uncertain business environment of the manufacturing operations in Indonesia.

The recoverable amount of the CGU was determined using the FVLCS method, applying the income approach. The projections covered a ten (10) year period with terminal value that reflects the industry's product lifecycle from development to commercialisation developed based on the five (5) years approved budget by the Directors. The business plan reflects the CGU's expectation of plant capacity and utilisation, revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique used a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the Indonesia manufacturing. In determining the value of each key assumption, management used the historical data of Indonesia manufacturing in combination with management budget for 2023 and external market data where available. The inputs used in the valuation technique were assumed to represent the market participants' expectation of the highest and best use of the CGU.

The key assumptions used for Indonesia manufacturing operations were as follows:

	2022 %
Sales growth rate (per annum)	3.0 to 50.0
Product margins	14.0 to 36.0
Discount rate (per annum)	15.6
Terminal growth	3.2

15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for capitalised development costs of work-in-progress within the manufacturing segment

Capitalised development costs of work-in-progress that are not ready to use, are not subject to amortisation and are tested annually for impairment.

The recoverable amounts of the CGUs are determined based on the FVLCS methods, applying the income approach, covering a period of 5 to 15 years that reflects the industry, product lifecycle from development to commercialisation developed based on the five (5) years approved budget by the Directors. The sales volumes used in the calculations are based on the respective product lifecycle and new products under development. The business plan reflects the cash-generating unit's expectation of revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The valuation technique uses a set of cash flows that represents the probability-weighted average of all possible future cash flows expected to be generated from the respective CGUs. In determining the value of each key assumption, management used the historical data of respective CGUs in combination with management budget for 2024 (2022: management budget for 2023) and external market data where available. The inputs used in the valuation technique are assumed to represent the market participants' expectation of the highest and best use of the CGU.

The key assumptions used in the impairment testing are as follows:

	2023 %	2022 %
Sales growth rate (per annum)	**3.0 to >100.0**	3.0 to >100.0
Product margins	**<1.0 to 95.0**	<1.0 to 94.0
Discount rate (per annum)*	**11.7 to 12.8**	14.7 to 15.6

* *The discount rate in 2022 reflects the uncertainty risk for the CGUs.*

Based on management's assessment, no impairment charge is required on the carrying value of the capitalised development costs of work-in-progress in the current and previous financial years.

Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGUs to materially exceed the recoverable amounts in the current and previous financial years.

16 INVENTORIES

	Group	
	2023 RM'000	**2022 RM'000**
Raw materials	**48,530**	87,403
Packaging materials	**26,797**	33,231
Work-in-progress	**8,783**	7,983
Finished goods	**496,533**	638,646
	580,643	767,263

During the financial year, the Group has made a provision of RM76.9 million for stock obsolescence.

In the previous financial year, there was no firmed purchase commitment of the Covid-19 vaccines inventory. As such, full provision for slow-moving and obsolete inventories amounting to RM552.3 million was made.

17 TRADE RECEIVABLES

	Group	
	2023 RM'000	**2022 RM'000**
Trade receivables	**295,578**	272,172
Less: Accumulated impairment losses	**(10,358)**	(10,421)
	285,220	261,751

The credit terms of trade receivables range from 30 days to 120 days (2022: 30 days to 120 days).

17 TRADE RECEIVABLES (CONTINUED)

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

	Group		
	Lifetime ECL (Collective assessment) RM'000	Lifetime ECL (Individual assessment) RM'000	Total RM'000
2023			
At 1 January 2023	**6,225**	**4,196**	**10,421**
Reclassification	**(4,357)**	**4,357**	**-**
Impairment during the financial year (Note 7(a))	**419**	**1,875**	**2,294**
Written off	**-**	**(2,793)**	**(2,793)**
Foreign exchange differences	**-**	**436**	**436**
At 31 December 2023	**2,287**	**8,071**	**10,358**
2022			
At 1 January 2022	10,354	3,156	13,510
(Reversal of)/Impairment during the financial year (Note 7(a))	(187)	1,040	853
Written off	(3,537)	-	(3,537)
Foreign exchange differences	(405)	-	(405)
At 31 December 2022	6,225	4,196	10,421

The creation and release of impaired receivables have been included in 'administrative expenses' in the profit or loss. Amounts charged are generally written off when there is no expectation of recovering additional cash.

Information about the impairment of trade receivables and the exposure to credit risk is disclosed in Note 35.

18 OTHER RECEIVABLES

	Group			Company	
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000
Current					
Other receivables	**6,975**	9,005	4,955	**8**	29
Less:					
Accumulated impairment losses	**(1,194)**	(1,194)	(1,194)	**-**	-
	5,781	7,811	3,761	**8**	29
Prepayments	**26,895**	32,063	27,012	**202**	325
Deposits	**2,865**	4,110	5,001	**13**	16
VAT recoverable	**48,417**	36,251	33,594	**-**	-
	83,958	80,235	69,368	**223**	370
Non-current					
Other receivables	**3,188**	3,188	3,188	**-**	-
Less:					
Accumulated impairment losses	**(3,080)**	(3,188)	(3,188)	**-**	-
Less:					
Written off	**(108)**	-	-	**-**	-
	-	-	-	**-**	-

Movement of the accumulated impairment of other receivables during the financial year is as follows:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	**4,382**	4,382
Written off	**(108)**	-
At 31 December	**4,274**	4,382

Information about the impairment of other receivables and the exposure to credit risk is disclosed in Note 35.

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company		
	31.12.2023 RM'000	**31.12.2022 RM'000 Restated**	**1.1.2022 RM'000 Restated**
Current			
Amounts due from subsidiaries	**330,499**	332,071	252,116
Less: Accumulated impairment losses	**(5,171)**	(24,135)	(24,135)
Less: Written off	**(30,377)**	-	-
Amounts due from subsidiaries - net	**294,951**	307,936	227,981
Non-current			
Amounts due from subsidiaries	**272,745**	272,208	254,969
Less: Accumulated impairment losses	**(71,054)**	(51,591)	(37,420)
Amounts due from subsidiaries - net	**201,691**	220,617	217,549

The amounts due from subsidiaries are unsecured, bear interest at 4.23% - 4.87% (2022: 4.02% - 4.77%) and are repayable on demand.

During the current financial year, the Directors of the Company have assessed the carrying amount of the amount due from subsidiaries. As a result of the assessment, an impairment of RM30,876,000 (2022: RM14,171,000) was recognised during the financial year mainly due to adverse changes in the financial capability of the subsidiaries and failure to comply with the repayment plan with the Company.

The Company has measured the expected credit loss of the amount due from subsidiaries companies using the general 3-stage approach. The basis of classification of the amount due from subsidiaries into the three different stages are set out in Note 2(o) and Note 35(b) to the financial statements.

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

(a) Amounts due from subsidiaries (continued)

The impact of the loss allowance on the carrying value of amount due from subsidiaries presented by the stages are as follows:

	Company			
	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
31 December 2023				
Gross carrying amount	**255,035**	**317,333**	**30,876**	**603,244**
Impairment losses	**-**	**(75,726)**	**(30,876)**	**(106,602)**
Net carrying amount	**255,035**	**241,607**	**-**	**496,642**
31 December 2022 (restated)				
Gross carrying amount	297,476	306,803	-	604,279
Impairment losses	-	(75,726)	-	(75,726)
Net carrying amount	297,476	231,077	-	528,553
1 January 2022 (restated)				
Gross carrying amount	312,035	195,050	-	507,085
Impairment losses	-	(61,555)	-	(61,555)
Net carrying amount	312,035	133,495	-	445,530

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

(a) Amounts due from subsidiaries (continued)

Movement of accumulated impairment losses for amount due from subsidiaries is as follows:

	Company			
	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
31 December 2023				
As at 1 January	**-**	**75,726**	**-**	**75,726**
Impairment losses	**-**	**-**	**30,876**	**30,876**
Written off	**-**	**-**	**(30,377)**	**(30,377)**
Net carrying amount	**-**	**75,726**	**499**	**76,225**
31 December 2022				
As at 1 January	-	61,555	-	61,555
Impairment losses	-	14,171	-	14,171
Net carrying amount	-	75,726	-	75,726

(b) Amounts due to subsidiaries

Included in amounts due to subsidiaries is an advance granted to the Company by a subsidiary amounting to RM304.0 million (2022: RM385.0 million) which is unsecured, bears interest at 3.30% - 4.58% (2022: 2.29% - 3.57%) per annum and is repayable on demand. The remainder of the amounts due to subsidiaries are unsecured, interest free and are repayable on demand.

Dividend income from subsidiaries totalling Nil (2022: RM37.4 million) during the financial year was set off against amounts due to subsidiaries.

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

(c) Reconciliation of amounts due to subsidiaries

The following table illustrates the changes in amounts due to subsidiaries, including both changes arising from cash flows and non-cash changes during the financial year:

	At 1 January 2023 RM'000	Net cash flow RM'000	Non-cash changes RM'000	At 31 December 2023 RM'000
Amounts due to subsidiaries	**385,788**	**(60,636)**	**(21,152)**	**304,000**

	At 1 January 2022 RM'000	Net cash flow RM'000	Non-cash changes RM'000	At 31 December 2022 RM'000
Amounts due to subsidiaries	303,413	119,775	(37,400)	385,788

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	**49,241**	23,549	**11,939**	5,020
Deposits with licensed banks	**78,200**	29,300	**-**	-
Total cash and cash equivalents at end of financial year	**127,441**	52,849	**11,939**	5,020

Cash and bank balances are deposits held at call with banks and earn no interest except for bank balances amounting to RM1.4 million (2022: RM2.7 million) that earn interest at 1.8% (2022: 1.3%) per annum.

The effective interest rates on deposits with licensed banks for the Group ranging from 2.6% to 3.0% (2022: 1.6% to 2.7%) per annum with original maturity dates ranging from 3 days to 7 days (2022: 1 day to 5 days).

Included in the deposits placed with licensed bank of the Group is RM12.7 million (2022: Nil) pledged for bank facility.

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies are non-trade in nature, unsecured, interest free and are repayable on demand.

22 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2022: 30 days to 120 days).

23 OTHER PAYABLES

		Group			Company	
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000
Penalty claims	(a)	**110,816**	130,216	128,519	**-**	-
Other payables		**57,679**	82,433	96,326	**2,550**	3,004
Obligations to repay to customers		**43,948**	45,423	54,512	**-**	-
Accruals		**33,061**	38,424	25,428	**1,861**	2,893
		245,504	296,496	304,785	**4,411**	5,897

(a) Penalty claims include penalties specified in the contract with its customer as a form of variable consideration for determining the transaction price of RM95.5 million (2022: RM130.2 million), as well as any other penalties imposed by the Group's customer due to non-compliance with a certain contract of RM15.3 million.

24 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company arose from management fees and payments made on behalf. This amount is unsecured, interest free and repayable on demand except for RM50,000,000 (2022: Nil) which is subject to interest of 6.5% (2022: Nil).

25 GOVERNMENT GRANTS

	Group	
	2023 RM'000	2022 RM'000
At 1 January	**3,618**	3,949
Recognition during the financial year (Note 7(c))	**(261)**	(331)
At 31 December	**3,357**	3,618
Analysed as:		
- Current	**260**	260
- Non-current	**3,097**	3,358
	3,357	3,618

Government grants relate to monies received from certain government agencies to fund the purchase of certain intangible assets and property, plant and equipment of the Group.

26 BORROWINGS

	Note	Group			Company		
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Current							
Unsecured:							
- Bankers' acceptances	(a)(i),(b)	**694,104**	681,300	543,979	**147,664**	136,482	124,535
- Revolving credits	(a)(ii),(b)	**319,367**	345,633	25,700	**222,700**	247,298	25,700
- Bridging loan	(c)	**17,079**	-	-	**-**	-	-
		1,030,550	1,026,933	569,679	**370,364**	383,780	150,235
Secured:							
- Term loans	(a)(iii),(d)	**16,500**	38,820	-	**16,500**	38,820	-
- Hire purchase		**677**	519	377	**-**	-	-
		1,047,727	1,066,272	570,056	**386,864**	422,600	150,235
Non-current							
Unsecured:							
- Revolving credits	(a)(ii),(b),(e)	**74,998**	91,666	282,299	**-**	-	182,299
Secured:							
- Term loans	(a)(iii),(d)	**63,624**	-	2,690	**50,512**	-	2,690
- Hire purchase		**750**	961	181	**-**	-	-
		139,372	92,627	285,170	**50,512**	-	184,989
Total		**1,187,099**	1,158,899	855,226	**437,376**	422,600	335,224

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Bankers' acceptances	**694,104**	681,300	543,979	**147,664**	136,482	124,535
Revolving credits	**394,365**	437,299	307,999	**222,700**	247,298	207,999
Term loans	**80,124**	38,820	2,690	**67,012**	38,820	2,690
Hire purchase	**1,427**	1,480	558	**-**	-	-
Bridging loan	**17,079**	-	-	**-**	-	-
Total	**1,187,099**	1,158,899	855,226	**437,376**	422,600	335,224

26 BORROWINGS (CONTINUED)

(a) Financial covenants

As at 31 December 2023, the Group and the Company did not meet certain financial covenants for borrowings totalling RM346.3 million and RM207.8 million (2022: RM331.4 million and RM226.6million (restated)) respectively.

Details of the breaches of the financial covenants are as follows:

(i) Bankers' acceptances

The Group was not in compliance with the following financial covenants in accordance with the facilities agreements as at 31 December 2023 and 31 December 2022:

- The consolidated net worth of the Group must not be less than RM336.0 million;
- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times; and
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times.

The Company was not in compliance with the following financial covenant in accordance with the facilities agreements as at 31 December 2023 and 31 December 2022:

- The consolidated net worth of the Group must not be less than RM336.0 million.

The total borrowings related to the breach in covenants for the Group and the Company is RM174.6 million and RM86.1 million (2022: RM161.3 million and RM96.5 million (restated)) respectively. These borrowings are presented as current liabilities as at 31 December 2023 and 31 December 2022.

In the previous financial year, there was an additional financial covenant which the Group breached where the value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities.

On 21 December 2023, the Group and the Company were granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM86.1 million (2022: indulgence granted on 21 March 2023 for borrowings of RM96.5 million). Subsequently, on 11 March 2024, the Group and the Company were granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

On 16 February 2024, the Group was granted indulgence from another financial institution for non-compliance with the financial covenant relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM88.5 million (2022: indulgence granted on 4 April 2023 for borrowings of RM41.8 million).

The remaining borrowing balance without indulgence is Nil (2022: RM23.0 million).

26 BORROWINGS (CONTINUED)

(a) Financial covenants (continued)

(ii) Revolving credits

The Group was not in compliance with the following financial covenants in accordance with the facilities agreements as at 31 December 2023 and 31 December 2022:

- The consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The consolidated Debt Service Coverage Ratio ("DSCR"), calculated as ratio of EBITDA to interest expense, must not be less than 1.5 times; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million.

The Company was not in compliance with the following financial covenants in accordance with the facilities agreements as at 31 December 2023 and 31 December 2022:

- The consolidated Debt Service Coverage Ratio ("DSCR"), calculated as ratio of EBITDA to interest expense, must not be less than 1.5 times; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million.

The total borrowings related to the breach in covenants for the Group and the Company is RM104.7 million and RM54.7 million (2022: RM131.3 million and RM91.3 million (restated)) respectively. These borrowings are presented as current liabilities as at 31 December 2023 and 31 December 2022.

On 16 February 2024, the Group was granted indulgence from a financial institution for non-compliance with the financial covenants relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM50.0 million (2022: indulgence granted on 4 April 2023 for borrowings of RM40.0 million).

The remaining borrowing balance without indulgence for the Group and the Company is RM54.7 million (2022: RM91.3 million).

(iii) Term loans

The Group and the Company were not in compliance with the following financial covenants in accordance with the facilities agreements as at 31 December 2023 and 31 December 2022:

- The consolidated net worth of the Group must not be less than RM336.0 million; and
- The consolidated Finance Service Cover Ratio, calculated as ratio of cumulative available cash flows to interest expense and current portion of long-term borrowings, must not be less than 1.25 times.

The total borrowings related to the breach in covenants for the Group and the Company is RM67.0 million (2022: RM38.8 million).

26 BORROWINGS (CONTINUED)

(a) Financial covenants (continued)

(iii) Term loans (continued)

On 21 December 2023, the Group and the Company were granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM67.0 million (2022: indulgence granted on 21 March 2023 for borrowings of RM38.8 million). Subsequently, on 11 March 2024, the Group and the Company were granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

As the indulgence was granted before the reporting date and the lender does not have the rights to demand for immediate repayment as at the reporting date, the borrowings of RM50.5 million remain as a non-current liability for the Group and the Company. The remaining RM16.5 million is presented as current liability in accordance with the contractual repayment terms.

All of the Group's and Company's lenders, including the lenders mentioned above, have not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

(b) Facilities with cross-default clauses

As at 31 December 2023, other than the borrowings disclosed in Note 26(a) to the financial statements, certain facilities within the Group and the Company of RM412.4 million and RM229.5 million respectively (2022: RM394.2 million and RM195.9 million (restated) respectively) contain cross-default clauses that may be breached due to the Group and the Company failing to meet certain financial covenants of other borrowings. These borrowings are presented as current liabilities as at 31 December 2023.

The banks had not requested early repayment of these borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

(c) The Group's bridging loan is an Islamic term financing, unsecured and supported by way of corporate guarantee from the Company. The tenure of the loan is up to 24 months from the first disbursement date. The first principal payment shall commence 15 months from the first disbursement date with three months interval.

Notwithstanding the repayment schedule above, the Group shall immediately fully repay the outstanding amount upon receipt of the proceeds raised from the Proposed Regularisation Plan as stated in Note 36(a). The bridging loan is therefore, classified as current liabilities in the statement of financial position.

(d) The Group's term loans have maturity ranging from five to ten years and are secured over a freehold land and a leasehold land of the subsidiaries (see Note 12 and 13(a)).

(e) Revolving credit classified under non-current liabilities is not due in the next twelve months from the reporting date and is subject to contractual repayment plan until full settlement in 2029.

26 BORROWINGS (CONTINUED)

(f) Interest rate

The average effective interest rates per annum for the Group and the Company is as follows:

Group

	31 December 2023		31 December 2022		1 January 2022	
	Floating interest rate %	Fixed interest rate %	Floating interest rate %	Fixed interest rate %	Floating interest rate %	Fixed interest rate %
Bankers' acceptances	**4.35-10.0**	**-**	3.82-8.70	-	2.24-6.30	-
Revolving credits	**4.48-5.20**	**-**	3.70-4.90	-	2.97-3.90	-
Term loans	**5.32-7.75**	**-**	5.08	-	4.14	-
Hire purchase	**-**	**1.88-6.98**	-	1.88-8.99	-	1.88-8.99
Bridging loan	**7.80**	**-**	-	-	-	-

Company

	31 December 2023		31 December 2022		1 January 2022	
	Floating interest rate %	Fixed interest rate %	Floating interest rate %	Fixed interest rate %	Floating interest rate %	Fixed interest rate %
Bankers' acceptances	**4.35-4.79**	**-**	3.82-4.10	-	2.40-2.90	-
Revolving credits	**5.19-5.20**	**-**	3.70-4.90	-	3.70-3.90	-
Term loans	**5.32**	**-**	5.08	-	4.14	-

(g) Hire purchase liabilities

	Group		
	31.12.2023 RM'000	31.12.2022 RM'000	1.1.2022 RM'000
Minimum lease payments:			
- Payable within 1 year	**762**	601	415
- Payable between 1 and 5 years	**863**	1,102	199
	1,625	1,703	614
Less: Future finance charges	**(198)**	(223)	(56)
Present value of liabilities	**1,427**	1,480	558

26 BORROWINGS (CONTINUED)

(h) Borrowings' maturity and interest rate analysis

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

		Repayment terms					
	Effective interest rate at year end % per annum	On demand RM'000	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000
Group							
At 31 December 2023							
Bankers' acceptances	**6.61**	**302,842**	**391,262**	**-**	**-**	**-**	**694,104**
Revolving credits	**4.96**	**302,699**	**16,668**	**16,668**	**50,000**	**8,330**	**394,365**
Term loans	**6.13**	**-**	**16,500**	**17,957**	**38,383**	**7,284**	**80,124**
Hire purchase	**4.99**	**-**	**677**	**697**	**53**	**-**	**1,427**
Bridging loan	**7.80**	**-**	**17,079**	**-**	**-**	**-**	**17,079**
		605,541	**442,186**	**35,322**	**88,436**	**15,614**	**1,187,099**
At 31 December 2022 (restated)							
Bankers' acceptances	5.20	349,503	331,797	-	-	-	681,300
Revolving credits	4.20	337,299	8,334	16,668	50,000	24,998	437,299
Term loans	5.08	38,820	-	-	-	-	38,820
Hire purchase	5.32	-	519	961	-	-	1,480
		725,622	340,650	17,629	50,000	24,998	1,158,899
At 1 January 2022							
Bankers' acceptances	3.48	-	543,979	-	-	-	543,979
Revolving credits	3.78	-	25,700	37,934	142,804	101,561	307,999
Term loans	4.14	-	-	269	1,614	807	2,690
Hire purchase	5.97	-	377	181	-	-	558
		-	570,056	38,384	144,418	102,368	855,226

26 BORROWINGS (CONTINUED)

(h) Borrowings' maturity and interest rate analysis (continued)

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

		Repayment terms					
	Effective interest rate at year end % per annum	On demand RM'000	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000
Company							
At 31 December 2023							
Bankers' acceptance	**4.64**	**61,522**	**86,142**	**-**	**-**	**-**	**147,664**
Revolving credits	**5.20**	**222,700**	**-**	**-**	**-**	**-**	**222,700**
Term loans	**5.32**	**-**	**16,500**	**16,500**	**34,012**	**-**	**67,012**
		284,222	**102,642**	**16,500**	**34,012**	**-**	**437,376**
At 31 December 2022 (restated)							
Bankers' acceptance	3.91	136,482	-	-	-	-	136,482
Revolving credits	4.30	247,298	-	-	-	-	247,298
Term loans	5.08	38,820	-	-	-	-	38,820
		422,600	-	-	-	-	422,600
At 1 January 2022 (restated)							
Bankers' acceptance	2.65	-	124,535	-	-	-	124,535
Revolving credits	3.80	-	25,700	29,600	92,800	59,899	207,999
Term loans	4.14	-	-	269	1,614	807	2,690
		-	150,235	29,869	94,414	60,706	335,224

26 BORROWINGS (CONTINUED)

(i) Reconciliation of liabilities arising from financing activities

The following table illustrates the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the financial year:

	At 1 January RM'000	Net cash flows RM'000	Acquisition of PPE RM'000	Foreign exchange movements RM'000	At 31 December RM'000
Group					
2023					
Borrowings	**1,157,419**	**19,524**	**-**	**8,729**	**1,185,672**
Hire purchase liabilities	**1,480**	**(966)**	**1,068**	**(155)**	**1,427**
Total	**1,158,899**	**18,558**	**1,068**	**8,574**	**1,187,099**
2022					
Borrowings	854,668	310,978	-	(8,227)	1,157,419
Hire purchase liabilities	558	(531)	1,412	41	1,480
Total	855,226	310,447	1,412	(8,186)	1,158,899
Company					
2023					
Borrowings	**422,600**	**14,776**	**-**	**-**	**437,376**
2022 (restated)					
Borrowings	335,224	87,376	-	-	422,600

Fair value

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

26 BORROWINGS (CONTINUED)

(j) Currency profile

The carrying amounts of the Group's and of the Company's borrowings are denominated in the functional currencies of the relevant group entity:

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000	1.1.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Ringgit Malaysia	**960,533**	985,543	708,323	**437,376**	422,600	335,224
Indonesian Rupiah	**226,566**	173,356	146,903	**-**	-	-
	1,187,099	1,158,899	855,226	**437,376**	422,600	335,224

(k) Undrawn borrowings facilities

The Group and the Company have the following undrawn borrowings facilities:

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000	1.1.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Bankers' acceptances	**356,846**	676,600	894,221	**22,336**	13,518	36,316
Revolving credits	**-**	20,000	100,001	**-**	10,000	50,001
Term loans	**38,076**	66,180	182,310	**37,988**	66,180	182,310
Bank overdraft	**2,980**	2,820	2,920	**-**	-	-
Bridging loan	**57,921**	-	-	**-**	-	-
	455,823	765,600	1,179,452	**60,324**	89,698	268,627

Included in the bankers' acceptances is Nil (2022: RM450.0 million) facility available only for the purchases or import of materials related to Covid-19 vaccines.

27 SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 RM'000
Issued and fully paid-up ordinary shares with no par value:				
At 1 January	**1,310,209**	1,309,959	**154,189**	154,051
Issuance during the financial year arising from:				
- Long Term Incentive Plan	**-**	250	**-**	138
- Private Placement	**131,020**	-	**45,857**	-
At 31 December	**1,441,229**	1,310,209	**200,046**	154,189

27 SHARE CAPITAL (CONTINUED)

During the financial year, the Company increased its issued and paid-up share capital from RM154,189,000 to RM200,046,000 by way of issuance of 131,020,866 new ordinary shares representing 10% of the total issued shares of the Company on 24 July 2023 at RM0.35 per share ("Private Placement").

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

28 SHARE RESERVES

(a) Option Plan

	Group and Company	
	2023 RM'000	2022 RM'000
Option Plan	**3,624**	3,624

An Option Plan was implemented on 13 May 2016 for the benefit of Directors and selected Senior Management Officers ("Eligible Employees") of the Group. The Option Plan shall be in force for a period of 5 years. The fair value of each share option on the grant date was RM0.71. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the Option Plan is RM5.04 each. The options granted are divided into 5 equal tranches which vest on 16 May 2016, 16 May 2017, 16 May 2018, 16 May 2019 and 16 May 2020. The vesting condition is that the offeree must be an employee or Director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expired on 12 May 2021.

Subsequently, the Option Plan has been extended for a further period of 5 years from 13 May 2021 to 12 May 2026. The definition of eligible persons has been amended to include all employees of the Group (excluding foreign subsidiaries, dormant subsidiaries and Directors).

The extended Option Plan is to be granted to eligible persons over a period of 3 years. The First Tranche of the Option Plan was granted on 20 August 2021 and is to be exercised after 19 August 2022. The fair value and exercise price of each share option of the First Tranche are RM0.0988 and RM0.8433 respectively. The vesting condition is that the offeree must be an employee, as the case may be, of the Company or its subsidiaries on the vesting and exercise date. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

28 SHARE RESERVES (CONTINUED)

(a) Option Plan (continued)

Movements of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options	
	2023 '000	**2022 '000**
At 1 January	**36,319**	39,357
Forfeited	**(4,567)**	(3,038)
At 31 December	**31,752**	36,319
Exercisable at 31 December	**-**	-

The fair value of the options granted in the current and previous financial years were accounted for in accordance with MFRS 2 "Share-based Payment" using the Black-Scholes and Binomial valuation model respectively. The significant inputs in the model are as follows:

	Options granted on 20 August 2021
Fair value per option	RM0.10
Exercise price	RM0.84
Option life	5 years
Weighted average share price at grant date	RM0.96
Expected dividend yield	5.38%
Risk free rate	3.25%
Expected volatility	14.31%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of share prices over the last 5 years (2022: 5 years).

The amounts recognised in the financial statements as disclosed in Notes 8 and 34(e) arose from the Option Plan granted to Directors and Eligible Employees.

28 SHARE RESERVES (CONTINUED)

(b) Long Term Incentive Plan

A Long Term Incentive Plan ("LTIP") was implemented on 13 May 2016 for the benefit of the Executive Director and Eligible Employees of the Group. The value of the allocation per year to the Executive Director and Eligible Employees under the LTIP shall not exceed 6% of the audited profit after tax of the Group for the preceding financial year.

Under the LTIP, the Executive Director and Eligible Employees are awarded with new ordinary shares in the Company for nil consideration and the shares granted are vested to the Executive Director and Eligible Employees in tranches over a period of up to 3 years. There are no cash settlement alternatives.

As at 31 December 2023, there was no shares granted under LTIP. The particulars of the shares granted under the LTIP in previous financial year was as follows:

	At grant date		Number of ordinary shares				
Date of grant	Fair value RM	Market price RM	At 1.1.2022	Granted	Vested	Lapsed	At 31.12.2022
13 Dec 2022	0.55	0.55	-	250,000	-	-	(250,000)

	At grant date		Number of ordinary shares				
Date of grant	Fair value RM	Market price RM	At 1.1.2023	Granted	Vested	Lapsed	At 31.12.2023
13 Dec 2022	**0.55**	**0.55**	**250,000**	**-**	**(250,000)**	**-**	**-**

The fair value of the shares granted was determined using the Monte Carlo Simulation model, taking into account the terms and conditions under which the shares were granted. The significant inputs in the model were as follows:

Closing market price at grant date	RM0.55
Expected volatility	24.0% to 59.0%
Expected dividend yield	4.4%
Risk free rate	3.9%

The expected volatility is based on 1 month, 1 year and 2 years average daily volatility.

29 DEFERRED TAXATION

	Note	Group		
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
At 1 January		**30,075**	31,187	34,166
Credited/(Charged) to profit or loss:				
- property, plant and equipment		**4,226**	(1,422)	(22,793)
- provisions		**1,021**	(5,317)	23,128
- provisions for slow-moving and obsolete inventories		**13,220**	855	2,808
- unutilised tax losses		**7,928**	3,748	(8,331)
- intangible assets		**(2,968)**	238	1,257
	9	**23,427**	(1,898)	(3,931)
Charged to other comprehensive income:				
- revaluation reserves	*	**(34,036)**	-	-
		(34,036)	-	-
Foreign exchange adjustments		**(230)**	786	952
At 31 December		**19,236**	30,075	31,187
Subject to income tax				
Deferred tax assets (before offsetting):				
- property, plant and equipment		**647**	91	396
- provisions		**32,359**	30,452	34,983
- provisions for slow-moving and obsolete inventories		**19,579**	6,359	5,504
- unutilised tax losses		**33,804**	25,876	22,128
		86,389	62,778	63,011
Offsetting		**(34,307)**	(13,888)	(10,472)
Deferred tax assets (after offsetting)		**52,082**	48,890	52,539
Deferred tax liabilities (before offsetting):				
- property, plant and equipment		**(62,259)**	(31,893)	(30,776)
- provisions		**(1,116)**	-	-
- intangible assets		**(3,778)**	(810)	(1,048)
		(67,153)	(32,703)	(31,824)
Offsetting		**34,307**	13,888	10,472
Deferred tax liabilities (after offsetting)		**(32,846)**	(18,815)	(21,352)

* *where the land and buildings are carried at their fair value, the amount of the deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date.*

29 DEFERRED TAXATION (CONTINUED)

		Company	
	Note	2023 RM'000	2022 RM'000
At 1 January		**10,703**	-
Credited to profit or loss:			
- unutilised tax losses	9	**1,929**	10,703
At 31 December		**12,632**	10,703
Subject to income tax			
Deferred tax assets:			
- unutilised tax losses		**12,632**	10,703

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The deductible temporary differences are available indefinitely for offset against future taxable profits of the Group and of the Company, subject to agreement with the Inland Revenue Board. These tax benefits will only be obtained if the Group and the Company derive future assessable income of a nature and amount sufficient for the tax benefits to be utilised.

Estimating the future taxable profits involve significant assumptions, especially in respect of sales growth rate and product margins. These assumptions used are consistent with those prepared and used for impairment testing purposes. All available convincing evidences were considered, including approved budgets, business plan and analysis of historical operating results. Based on the available convincing evidences, management believes that the temporary differences, which include unutilised tax losses with time limit of utilisation, will be utilised and has recognised the deferred tax assets as at the end of the reporting date.

29 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements of the Group is as follows:

	Group	
	2023 RM'000	2022 RM'000 Restated
Unutilised tax losses	**104,926**	92,289
Unabsorbed capital allowances	**3,691**	2,209
Other deductible temporary differences	**555,700**	553,289
	664,317	647,787
Deferred tax assets not recognised at 24% (2022: 24%)	**159,436**	155,469

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses are imposed with a time limit of utilisation of 7 years. This time limit of utilisation was further extended to 10 years following the approval of Budget 2023. As at 31 December, the amount of unutilised tax losses based on time limit is as follows (stated at gross):

Unutilised tax losses

Group

	Expired by year						
	2028 RM'000	2029 RM'000	2030 RM'000	2031 RM'000	2032 RM'000	2033 RM'000	Total RM'000
At 31 December 2023							
Deferred tax assets are recognised	**30,273**	**2,998**	**5,651**	**11,667**	**48,160**	**42,101**	**140,850**
No deferred tax assets are recognised	**48,911**	**9,956**	**6,400**	**11,333**	**14,561**	**13,765**	**104,926**
At 31 December 2022							
Deferred tax assets are recognised	33,756	7,177	7,533	18,467	40,885	-	107,818
No deferred tax assets are recognised	48,912	9,956	6,400	11,333	15,688	-	92,289

30 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiaries in Indonesia operate an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003. The latest actuarial valuations of the plans for 31 December 2023 were signed on 11 December 2023 and 16 January 2024.

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

	Group	
	2023 RM'000	**2022 RM'000**
Present value of unfunded defined benefit obligations	**10,841**	9,051
Actuarial gains/(losses) recognised in the statements of comprehensive income	**103**	(402)
Cumulative actuarial losses recognised	**(523)**	(626)

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

	Group	
	2023 RM'000	**2022 RM'000**
At 1 January	**9,051**	9,079
Charged to profit or loss (Note 8)	**2,277**	965
Contributions paid during the financial year	**(981)**	(1,022)
Recognition of actuarial (gains)/losses	**(103)**	402
Foreign exchange adjustments	**597**	(373)
At 31 December	**10,841**	9,051
The amounts recognised in the profit or loss are as follows:		
Current service cost	**1,429**	671
Interest cost	**1,073**	613
Gain on settlement for past service cost	**(225)**	(319)
Total included in employee benefit expenses (Note 8)	**2,277**	965

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	
	2023 %	2022 %
Discount rate	**7.0**	7.3
Expected rate of salary increase	**6.5**	5.5

The weighted average duration of the defined benefit obligation is 18 years (2022: 18 years).

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions are as follows:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
2023			
Discount rate	**1.0%**	**Decrease by 7.2%**	**Increase by 8.2%**
Expected rate of salary increase	**1.0%**	**Increase by 7.7%**	**Decrease by 6.9%**
2022			
Discount rate	1.0%	Decrease by 2.9%	Increase by 11.1%
Expected rate of salary increase	1.0%	Increase by 11.1%	Decrease by 3.0%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous financial year.

31 CONTRACT LIABILITIES

(a) Contract liabilities

		Group	
	Note	2023 RM'000	2022 RM'000
RoyalePharma voucher	(i)	**-**	397
Contract with customers for supply of medical and non-medical equipment	(ii)	**-**	17,152
Contract with customers for supply of medicines	(iii)	**8,899**	13,468
		8,899	31,017

(i) RoyalePharma voucher

	2023 RM'000	2022 RM'000
At 1 January	**397**	304
Additions during the financial year	**-**	1,019
Recognition of income during the financial year	**(397)**	(926)
At 31 December	**-**	397
Analysed as:		
- Current	**-**	397

(ii) The Group entered into a contract during the financial year ended 31 December 2018 to supply medical and non-medical equipment. Contract is billed progressively in accordance with the agreed milestones as stipulated in the contract. The schedule of billings does not correspond with the revenue recognition which is determined by reference to the progress towards completing the performance obligations.

On 30 November 2023, the Group mutually terminated the contract with the customer. Advance payments made by the customer will be refunded to the customer, net of margin to the Group. Contract liabilities has been reclassified to other payables on the date of termination. Subsequently, it was mutually agreed that the Group will terminate all supplier agreements, with any additional claims from suppliers to be borne by the customer.

(iii) The Group entered into contracts with customers for the supply of medicines. Advance payments were received from customers in prior year; however, revenue will only be recognised upon satisfaction of performance obligations through delivery of medicines to customers. During the year, a total of RM4,569,000 (2022: RM2,131,000) was recognised as revenue upon delivery of the medicines.

31 CONTRACT LIABILITIES (CONTINUED)

(b) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations arising from contract with customers.

	Group	
	2023 RM'000	2022 RM'000
Aggregate amount of transaction price allocated to contracts that are partially unsatisfied as at 31 December	-	157,865

32 SEGMENTAL REPORTING

The Board of Directors is the Group's chief operating decision maker. Performance is measured based on identified reportable segments' earnings before interest, taxation, depreciation and amortisation, as management believes that such information is most relevant in evaluating the results of the segments.

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

(a) Logistics and distribution - Distribution, trading and wholesaling of pharmaceutical and medical products as well as supply and installation of medical and hospital equipment in Malaysia.

(b) Manufacturing - Manufacturing of pharmaceutical products in Malaysia.

(c) Indonesia - Manufacturing and distribution of pharmaceutical and medical products in Indonesia have been aggregated into one reportable segment as it is reflective of the Group's business synergy in Indonesia, it is closely monitored as a potential growth region and is expected to materially contribute to the Group's revenue in the future.

Inter-segment revenues are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

	Malaysia		Indonesia			
	Logistics and distribution RM'000	Manufacturing RM'000	Manufacturing and distribution RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
Group						
2023						
Revenue						
External sales	2,358,762	5,598	1,040,121	-	-	3,404,481
Inter-segment sales	-	290,888	-	-	(290,888)	-
Total revenue	2,358,762	296,486	1,040,121	-	(290,888)	3,404,481
Results						
(Loss)/Earnings before interest, taxation, depreciation and amortisation	(22,259)	19,091	35,514	(8,439)	-	23,907
Depreciation and amortisation	(15,345)	(16,786)	(9,573)	-	-	(41,704)
Finance costs	(72,246)	(21,642)	(19,189)	-	51,234	(61,843)
Interest income	52,031	141	539	-	(51,234)	1,477
(Loss)/Profit before zakat and taxation	(57,819)	(19,196)	7,291	(8,439)	-	(78,163)
Taxation	9,061	(4,466)	(5,176)	-	-	(581)
Net (loss)/profit for the financial year	(48,758)	(23,662)	2,115	(8,439)	-	(78,744)

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Malaysia		Indonesia		
	Logistics and distribution RM'000	Manufacturing RM'000	Manufacturing and distribution RM'000	Elimination RM'000	Total RM'000
Group					
2023					
Other information					
Segment assets	**2,221,005**	**751,291**	**534,621**	**(1,592,063)**	**1,914,854**
Segment liabilities	**2,036,940**	**807,804**	**445,088**	**(1,100,888)**	**2,188,944**
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	**5,028**	**53,949**	**25,539**	**-**	**84,516**
Impairment of slow-moving and obsolete inventories	**64,620**	**10,877**	**1,408**	**-**	**76,905**
Write-off of intangible assets	**3,798**	**10,854**	**-**	**-**	**14,652**
Write-off of property, plant and equipment	**1,364**	**5,355**	**-**	**-**	**6,719**
Non-cash expenses/(income)	**7,621**	**(1,113)**	**(18)**	**-**	**6,490**

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Malaysia		Indonesia			
	Logistics and distribution RM'000	Manufacturing RM'000	Manufacturing and distribution RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
Group						
2022 (restated)						
Revenue						
External sales	2,484,856	12,838	983,241	-	-	3,480,935
Inter-segment sales	-	313,450	-	-	(313,450)	-
Total revenue	2,484,856	326,288	983,241	-	(313,450)	3,480,935
Results						
Earnings/(Loss) before interest, taxation, depreciation and amortisation	20,322	(520,127)	(21,743)	(13,477)	-	(535,025)
Depreciation and amortisation	(11,417)	(16,814)	(8,204)	-	-	(36,435)
Finance costs	(50,517)	(12,553)	(12,842)	-	35,874	(40,038)
Interest income	36,249	490	45	-	(35,874)	910
Loss before zakat and taxation	(5,363)	(549,004)	(42,744)	(13,477)	-	(610,588)
Zakat	(209)	-	-	-	-	(209)
Taxation	(13,939)	(1,577)	(1,341)	-	-	(16,857)
Net loss for the financial year	(19,511)	(550,581)	(44,085)	(13,477)	-	(627,654)

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Malaysia		Indonesia		
	Logistics and distribution RM'000	Manufacturing RM'000	Manufacturing and distribution RM'000	Elimination RM'000	Total RM'000
Group					
2022 (restated)					
Other information					
Segment assets	2,678,060	1,320,621	438,227	(2,589,617)	1,847,291
Segment liabilities	2,433,092	844,606	365,156	(1,447,255)	2,195,599
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	21,860	65,183	8,920	-	95,963
Impairment of slow-moving and obsolete inventories	10,463	559,217	2,013	-	571,693
Impairment loss on intangible assets	-	-	50,274	-	50,274
Share-based expenses	1,206	886	-	-	2,092
Non-cash (income)/expenses	(288)	7,074	1,438	-	8,224

32 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets excluding deferred tax assets RM'000
Geographical markets		
2023		
Malaysia	**2,357,890**	**679,698**
Indonesia	**1,040,121**	**75,608**
Other countries	**6,470**	**-**
	3,404,481	**755,306**
2022 (restated)		
Malaysia	2,489,257	556,265
Indonesia	983,698	47,330
Other countries	7,980	-
	3,480,935	603,595

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

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

Revenues of approximately RM2.2 billion (2022: RM2.4 billion) are mainly derived from a single external customer. These revenues are attributable to both the Logistics and Distribution as well as the Manufacturing segments. The single external customer with revenue equal or more than 10% of the Group's total revenue is disclosed in Note 34(f).

33 CAPITAL COMMITMENTS

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

	Group	
	2023 RM'000	2022 RM'000
Authorised and contracted for:		
- acquisition of property, plant and equipment	**17,287**	35,627
Authorised but not contracted for:		
- acquisition of property, plant and equipment	**96,691**	217,413

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

		Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a)	Immediate holding company				
	Expenses				
	• Management fees	**(308)**	(308)	**(308)**	(308)
	• Corporate and administrative support services	**(393)**	(991)	**-**	-

		Group	
		2023 RM'000	2022 RM'000
(b)	Subsidiaries of the immediate holding company		
	Expenses		
	• Travelling and accommodation	**(1,110)**	(2,511)
	• Provision of insurance	**(76)**	(3,569)
	• Freight forwarding and transportation services	**(16,198)**	(20,589)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

		Company	
		2023 RM'000	2022 RM'000 Restated
(c)	Subsidiaries		
	Income		
	• Interest income on advances to subsidiaries	**35,788**	27,686
	• Dividend income from subsidiaries	**-**	37,400
	• Management fees charged to subsidiaries	**22,359**	12,902
	Expenses		
	• Interest expense on advances from a subsidiary	**(15,499)**	(8,284)
(d)	Payment of expenses made on behalf:		
	• by subsidiaries	**3,537**	17,124
	• for subsidiaries	**(96,325)**	(1,942)

(e) Remuneration of key management personnel

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries, bonuses and allowances	**8,679**	8,451	**7,487**	7,557
Social contribution costs	**5**	9	**4**	7
Defined contribution plan	**842**	1,161	**791**	1,109
Estimated monetary value of benefits by way of usage of Group's assets	**304**	59	**304**	59
Share-based expenses	**-**	248	**-**	248
Fees	**819**	1,052	**730**	916
	10,649	10,980	**9,316**	9,896

Key management personnel comprise the Board of Directors and Senior Management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Government-related entities

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group by virtue of Lembaga Tabung Angkatan Tentera ("LTAT") being a body controlled by the Government of Malaysia.

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

In the month of November 2019, the Group received a letter from MOH extending its services for the provision of medicine and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing from 1 December 2019 to 31 December 2022 ("Interim Period"). In addition, the Group also secured a contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending 30 November 2024.

On 28 December 2021, MOH issued an extension letter to PLSB to further extend the Interim Period by one year up to 31 December 2023. The other terms and conditions, including the 5-year extension in respect of logistics and distribution services, remains in place with no further changes.

On 6 January 2022, MOH issued another letter stating its agreement in principle to enter into a 10-year concession agreement with PLSB for the procurement of drugs and medical supplies as well as logistics and distributions of Approved Products. This 10-year concession agreement will supersede existing concessions arrangements upon its execution, including the Interim Period for the procurement of drugs and medical supplies ending 31 December 2023 and the logistics and distributions services up to 30 November 2024.

On 29 December 2022, PLSB has received a letter from MOH informing that Jawatankuasa Kerjasama Awam Swasta ("JKAS") has agreed to extend the Interim Period for the provision of medicines and medical supplies to MOH facilities for an additional period of 6 months up to 30 June 2023, pending the finalisation of the new concession agreement.

On 12 July 2023, MOH issued a letter including the agreed salient terms to PLSB for a new medical supply logistics services for a period of seven (7) years, commencing from 1 July 2023 to 30 June 2030. Following the issuance of the letter, the interim period which commenced on 1 December 2019 to provide the services for the provision of medicines and medical supplies has ended on 30 June 2023.

The new concession agreement was subsequently signed on 3 January 2024. The new CA was to take effect retrospectively from 1 July 2023 and shall remain in force for a period of seven (7) years until 30 June 2030.

	Group	
	2023 RM'000	**2022 RM'000**
Sale of goods to government-related entities	**2,201,641**	2,372,593
Amounts due from government-related entities	**16,221**	12,366

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Significant outstanding balances

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000 Restated
Amounts due from				
- Subsidiaries	**-**	-	**496,642**	528,553
- Related companies*	**9**	13	**-**	-
Amounts due to				
- Immediate holding company	**50,515**	688	**50,119**	382
- Subsidiaries	**-**	-	**304,000**	385,748
- Related companies*	**8,023**	7,671	**-**	40

* *The related companies are subsidiaries of the immediate holding company and are included in Note 21.*

(h) Financial support letter

The immediate holding company, Boustead Holdings Berhad has also confirmed its intention to provide financial support up to RM128.8 million to the Group and the Company to enable the Group and the Company to meet their liabilities as and when they fall due. The financial support covers a period up to 31 March 2025.

(i) Intercompany loan waivers

On 29 December 2023, the Company issued a memorandum to Pharmaniaga Biomedical Sdn. Bhd., Pristine Pharma Sdn. Bhd. and Paradigm Industry Sdn. Bhd. to waive the amounts due from these subsidiaries. Consequently, these amounts were written off by the Company as at 31 December 2023.

35 FINANCIAL RISK MANAGEMENT

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

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

Financial risk factors

(a) Market risk

(i) Foreign currency exchange risk

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

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

As at 31 December 2023, if the functional currency had weakened/strengthened by 5% (2022: 5%) against EURO with all other variables held constant, post tax loss and deficit equity for the financial year would have been higher/lower by RM39,000 (2022: post tax loss and deficit equity higher/lower by RM152,000) mainly as a result of foreign exchange losses/gains on translation of EURO denominated trade receivables and trade payables.

As at 31 December 2023, if the functional currency had weakened/strengthened by 5% (2022: 5%) against US Dollar with all other variables held constant, post tax loss and deficit equity for the financial year would have been higher/lower by RM510,000 (2022: post tax loss and deficit equity higher/lower by RM394,000) mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated trade payables, other payables, trade receivables as well as deposits, cash and bank balances.

As at 31 December 2023, if the functional currency had weakened/strengthened by 5% (2022: 5%) against RMB with all other variables held constant, post tax loss and deficit equity for the financial year would have been lower/higher by RM288,000 (2022: post tax loss and deficit equity lower/higher by RM283,000) mainly as a result of foreign exchange gains/losses on translation of RMB denominated deposits, cash and bank balances.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2023, if the functional currency had weakened/strengthened by 5% (2022: 5%) against the IDR with all other variables held constant, the impact on equity would have been approximately higher/lower by RM3,567,000 (2022: RM2,857,000) on translation upon consolidation. There is no impact to profit or loss as the financial assets and liabilities denominated in IDR are in respect of foreign subsidiaries where trade is conducted in the entity's functional currency.

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

	2023		
	RMB RM'000	**US Dollar RM'000**	**Euro RM'000**
Trade receivables	**-**	**1,505**	**-**
Deposits, cash and bank balances	**7,587**	**3**	**-**
Trade payables	**-**	**(13,673)**	**(230)**
Other payables	**-**	**(1,263)**	**(787)**
	7,587	**(13,428)**	**(1,017)**

	2022		
	RMB RM'000	**US Dollar RM'000**	**Euro RM'000**
Trade receivables	-	2,383	-
Deposits, cash and bank balances	7,441	904	-
Trade payables	-	(13,168)	(3,445)
Other payables	-	(477)	(560)
	7,441	(10,358)	(4,005)

35 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 2023, if interest rates on Ringgit Malaysia denominated borrowings of the Group and of the Company had been 50 (2022: 50) basis points lower/higher with all other variables held constant, post tax loss for the financial year of the Group and of the Company would have been lower/higher by RM3,719,000 (2022: post tax loss lower/higher by RM3,393,000) and RM906,000 (2022: post tax loss lower/higher by RM895,000) respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2023, if interest rates on Indonesian Rupiah denominated borrowings of the Group had been 50 (2022: 50) basis points lower/higher with all other variables held constant, post tax loss for the financial year of the Group would have been lower/higher by RM791,000 (2022: post tax loss lower/higher by RM608,000) respectively, mainly as a result of lower/higher interest expense.

(b) Credit risk

(i) Risk management

Each entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

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

For trade and other receivables, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There are no significant concentrations of credit risk whether through exposure to individual customers and/or regions other than disclosed below.

Under MFRS 9, deposits, cash and bank balances are also subject to the impairment. However, the identified impairment loss was immaterial as the counterparties are reputable financial institutions with high credit ratings and no history of default.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk arising from financial assets carried at amortised cost are represented by the carrying amounts in the statement of financial position.

(iii) Impairment of financial assets

Trade receivables

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared similar credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

On that basis, during the financial year ended 31 December 2023, the Group recognised loss allowance of RM2,294,000 (2022: RM853,000) for receivables that are past due by 3 months and above.

There is a significant concentration of credit risk with respect to government-related entities of the Group. However, the Group is of the view that the expected credit loss rate on the amounts outstanding from government-related entities are considered low as government-related entities have low risk of default, strong capacity to meet their contractual cash flow obligations in the near term.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Trade receivables (continued)

The aging analysis of the Group's gross and net trade receivables are as follows:

	Collective assessment					
	Current and less than three months RM'000	Between three and six months RM'000	Between six months and one year RM'000	Greater than one year RM'000	Individual assessment RM'000	Total RM'000
At 31 December 2023						
Gross carrying amount	**217,138**	**34,318**	**16,029**	**20,022**	**8,071**	**295,578**
Expected loss rate	**0.0%**	**0.3%**	**0.8%**	**10.2%**	**100.0%**	**3.5%**
Loss allowance	**-**	**(116)**	**(129)**	**(2,042)**	**(8,071)**	**(10,358)**
Carrying amount (net of loss allowance)	**217,138**	**34,202**	**15,900**	**17,980**	**-**	**285,220**
At 31 December 2022						
Gross carrying amount	219,774	27,140	4,225	16,837	4,196	272,172
Expected loss rate	0.0%	0.3%	3.0%	35.8%	100.0%	3.8%
Loss allowance	-	(75)	(126)	(6,024)	(4,196)	(10,421)
Carrying amount (net of loss allowance)	219,774	27,065	4,099	10,813	-	261,751

The reconciliation of loss allowance for trade receivables is disclosed in Note 17.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Other receivables and amounts due from subsidiaries

With the exception of specific debtors identified as credit impaired and assessed individually, the balances are deemed recoverable, considered to be performing, and have a low risk of default and a capacity to meet contractual cash flows.

The reconciliation of loss allowance for other receivables and amounts due from subsidiaries are disclosed in Notes 18 and 19 respectively.

Other receivables and amount due from subsidiaries using general 3-stage approach

The Group and the Company use three categories for other receivables and amount due from subsidiaries which reflect their credit risk and how the loss allowances is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	The Group's and the Company's definition of category	Basis recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Underperforming	Debtors of which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due.	Lifetime ECL
Non-performing	Interest and/or principal repayments are past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impairment)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowances is measured on either 12-month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period (12-month or lifetime depending on category);
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Other receivables and amount due from subsidiaries using general 3-stage approach (continued)

In deriving the PD and LGD, the Group and the Company considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The impact from forward-looking macroeconomic data on ECL rates is not material. Loss allowances is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation technique or assumptions were made during the reporting period.

Management has assessed the loss allowances for amount due from subsidiaries of the Company individually taking into consideration of the financial position and the plans in place for the respective subsidiaries. As at this reporting date, management is of the view that adequate loss allowances has been recognised for ECL based on 3-stage approach.

(c) Liquidity risk

Cash flow forecasting is performed for the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's and of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Group's and the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

The Group's and the Company's current liabilities exceeded their current assets by RM895.0 million and RM439.0 million (2022: RM872.9 million and RM509.2 million (restated)), respectively. As at that date, the Group did not meet financial covenants for certain borrowings as disclosed in the Note 26 to the financial statements. Due to this breach of the covenant clauses, the banks are contractually entitled to request for immediate repayment of the Group's and the Company's outstanding borrowings amount of RM605.5 million and RM284.2 million respectively (2022: RM725.6 million and RM442.6 million), presented as current liabilities as at 31 December 2023.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements for the financial year ended 31 December 2023 were approved by the Board of Directors. In order to ensure that the Group and the Company would have sufficient cash flows within the next 15-month period ending 31 March 2025 to repay the existing borrowings and meet working capital, the Group and Company have submitted the detailed Proposed Regularisation Plan (Note 36(a)) to Bursa Securities on 23 February 2024 and will undertake the measures disclosed in Note 2(a).

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) and will not reconcile to the amounts disclosed on the statements of financial position.

	On demand RM'000	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 2023					
Borrowings	**605,541**	**390,730**	**60,632**	**41,914**	**116,366**
Lease liabilities	**-**	**1,246**	**2,804**	**344**	**-**
Trade payables	**-**	**627,781**	**-**	**-**	**-**
Other payables (exclude penalty claims)	**-**	**134,688**	**-**	**-**	**-**
Amount due to immediate holding company	**-**	**50,515**	**-**	**-**	**-**
Amounts due to related companies	**-**	**8,023**	**-**	**-**	**-**
At 31 December 2022 (restated)					
Borrowings	725,622	325,075	34,159	20,666	82,020
Lease liabilities	-	1,231	4,031	4,169	101
Trade payables	-	648,019	-	-	-
Other payables (exclude penalty claims)	-	166,280	-	-	-
Amount due to immediate holding company	-	688	-	-	-
Amounts due to related companies	-	7,671	-	-	-
Dividend payable	-	7,859	-	-	-

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand RM'000	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Group (continued)					
At 1 January 2022 (restated)					
Borrowings	-	485,932	100,404	108,876	215,096
Lease liabilities	-	529	746	549	-
Trade payables	-	677,633	-	-	-
Other payables (exclude penalty claims)	-	176,266	-	-	-
Amount due to immediate holding company	-	1,208	-	-	-
Amounts due to related companies	-	4,890	-	-	-
Company					
At 31 December 2023					
Borrowings	**284,222**	**88,840**	**17,437**	**18,934**	**36,309**
Other payables	**-**	**4,411**	**-**	**-**	**-**
Amount due to immediate holding company	**-**	**50,119**	**-**	**-**	**-**
Amounts due to subsidiaries	**-**	**304,000**	**-**	**-**	**-**
At 31 December 2022 (restated)					
Borrowings	422,600	-	-	-	-
Other payables	-	5,897	-	-	-
Amount due to immediate holding company	-	382	-	-	-
Amounts due to related companies	-	40	-	-	-
Amounts due to subsidiaries	-	385,788	-	-	-
Dividend payable	-	7,859	-	-	-

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand RM'000	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Company (continued)					
At 1 January 2022 (restated)					
Borrowings	-	116,717	42,383	73,209	133,293
Other payables	-	18,417	-	-	-
Amount due to immediate holding company	-	1,096	-	-	-
Amounts due to related companies	-	44	-	-	-
Amounts due to subsidiaries	-	303,413	-	-	-

As at 31 December 2023, the Company's maximum potential liabilities under guarantee contracts amounted to RM17.1 million (2022: Nil). Financial guarantee contracts are assumed to be immediately payable on demand.

(d) Financial instruments by category

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Financial assets at amortised cost						
Trade receivables	**285,220**	261,751	227,849	**-**	-	-
Other receivables (net of VAT recoverable and prepayments)	**8,646**	11,921	8,762	**21**	45	29
Deposits, cash and bank balances	**127,441**	52,849	52,359	**11,939**	5,020	1,291
Amount due from subsidiaries	**-**	-	-	**496,642**	528,553	445,530
Amount due from related companies	**9**	13	31	**-**	-	-

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) Financial instruments by category (continued)

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Financial liabilities at amortised cost						
Borrowings	**1,187,099**	1,158,899	855,226	**437,376**	422,600	335,224
Lease liabilities	**4,284**	9,193	1,634	**-**	-	-
Trade payables	**627,781**	648,019	677,633	**-**	-	-
Other payables (exclude penalty claims)	**134,688**	166,280	176,266	**4,411**	5,897	18,417
Amount due to immediate holding company	**50,515**	688	1,208	**50,119**	382	1,096
Amount due to related companies	**8,023**	7,671	4,890	**-**	40	44
Amount due to subsidiaries	**-**	-	-	**304,000**	385,788	303,413
Dividend payable	**-**	7,859	-	**-**	7,859	-

Capital risk management

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

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

The gearing ratios are as follows:

	Group			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	1.1.2022 RM'000 Restated
Total borrowings (Note 26)	**1,187,099**	1,158,899	855,226	**437,376**	422,600	335,224
Total equity attributable to equity holders of the Company	**(299,066)**	(369,694)	352,114	**280,863**	298,300	382,236
Gearing ratio (times)	**(4.0)**	(3.1)	2.4	**1.6**	1.4	0.9

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

Under the terms of certain borrowing facilities undertaken by the Group and the Company during the financial year are subjected to covenant clauses, whereby the Group and the Company are required to comply with the following financial covenants:

- The consolidated net worth of the Group must not be less than RM336.0 million;
- The consolidated Finance Service Cover Ratio, calculated as ratio of cumulative available cash flows to interest expense and current portion of long-term borrowings, must not be less than 1.25 times;
- The consolidated DSCR, calculated as ratio of EBITDA to interest expense, must not be less than 1.5 times;
- The consolidated tangible net worth of the Group must not be less than RM149.9 million;
- The tangible net worth of subsidiary Pharmaniaga Manufacturing Berhad must not be less than RM139.0 million;
- The consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities;
- The current ratio, calculated as ratio of current assets to current liabilities, of subsidiary PT Millennium Pharmacon International Tbk (“MPI”) must not be less than 1.1 times;
- The interest-bearing debt over equity ratio of Indonesian subsidiaries must not be less than 3 times;
- The DSCR of MPI must not be less than 1.25 times; and
- The gearing ratio, calculated as ratio of total borrowings to total equity, of Indonesian subsidiaries must not be more than 3 times.

The Group and the Company did not meet financial covenants for certain borrowings as at 31 December 2023 as disclosed in the Note 26(a) to the financial statements. Due to this breach of the covenant clauses, the banks are contractually entitled to request for immediate repayment of the Group’s and the Company’s outstanding borrowings amount of RM605.5 million and RM284.2 million respectively (2022: RM725.6 million and RM442.6 million), presented as current liabilities as at 31 December 2023.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

Fair value estimation

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

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

(a) Practice Note 17 ("PN17") status and the Company's regularisation plans

On 27 February 2023, the Company announced that it had triggered the criteria under Paragraph 2.1(a) of Practice Note 17 ("PN17") of the MMLR of Bursa Malaysia as its shareholders' equity less than RM40.0 million and is 25% of its issued and paid-up capital as at 31 December 2022. As a result, the Company is required to submit a regularisation plan within twelve months. On 28 March 2023, MIDF Amanah Investment Bank Bhd ("MIDF Investment") was appointed as the Principal Adviser for the proposed regularisation plan to regularise the Group's financial condition and level of operations pursuant to Paragraph 8.04(3) of the MMLR of Bursa Malaysia.

On 29 November 2023, the Company announced its initial plan to regularise its financial condition in accordance with Paragraph 8.04(3) of the MMLR of Bursa Malaysia. The plan, collectively referred to as the Initial Proposed Regularisation Plan, includes:

(i) proposed capital reduction of the issued share capital of the Company by the cancellation of RM180.0 million issued share capital which is lost and/or unrepresented by available assets pursuant to Section 116 of the Companies Act 2016 ("Act") ("Proposed Capital Reduction");

(ii) proposed renounceable rights issue of up to 1,182,038,540 new ordinary shares in the Company's shares ("Rights Shares") on the basis of 4 Rights Shares for every 5 existing the Company's shares held, together with up to 1,182,038,540 free detachable warrants ("Warrants") on the basis of 1 Warrant for every 1 Rights Share subscribed for, on an entitlement date to be determined and announced by the Board at a later date ("Entitlement Date") ("Proposed Rights Issue with Warrants"); and

(iii) proposed private placement of up to 714,285,715 new Pharmaniaga Shares ("Placement Shares") representing up to approximately 26.9% of the enlarged issued share capital of the Company after the Proposed Rights Issue with Warrants to third party investor(s) to be identified later at an issue price to be determined later ("Proposed Private Placement").

On 19 February 2024, MIDF Investment had on behalf of the Board, announced that the Company proposes to undertake revisions to the Proposed Rights Issue with Warrants and the Proposed Private Placement in the Initial Proposed Regularisation Plan. The revisions to the Initial Proposed Regularisation Plan includes:

(i) proposed renounceable rights issue of Rights Shares to raise gross proceeds of up to RM354.6 million, together with free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for, on the Entitlement Date; and

(ii) proposed private placement of Placement Shares to third party investor(s) to be identified later to raise gross proceeds of up to RM300.0 million.

The Proposed Capital Reduction as disclosed in the Initial Proposed Regularisation Plan shall remain unchanged. The revised Proposed Rights Issue with Warrants and revised Proposed Private Placement along with the Proposed Capital Reduction shall be referred to as the "Proposed Regularisation Plan".

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS (CONTINUED)

(a) Practice Note 17 ("PN17") status and the Company's regularisation plans (continued)

On 19 February 2024, Boustead Holdings Berhad ("Boustead"), the immediate holding company of the Company, provided an irrevocable letter of undertaking to subscribe in full for its entitlements as at the Entitlement Date under the Proposed Rights Issue with Warrants based on its shareholdings. Boustead's undertaking for its entitlement is subject to cash consideration to be capped at RM163.0 million in value of Rights Shares.

The Company will procure an irrevocable undertaking from LTAT, the ultimate holding corporation of the Company, to subscribe in full for its entitlements as at the Entitlement Date under the Proposed Rights Issue with Warrants based on its shareholding. LTAT's undertaking for its entitlement is subject to cash consideration capped at RM27.1 million in value of Rights Shares. In the event that LTAT does not subscribe in full for its entitlement, LTAT may assign the unsubscribed portion to Boustead to ensure that the entitlement for LTAT and Boustead are fully subscribed.

LTAT and Boustead shall also ensure that their combined percentage of shareholdings after the Proposed Rights Issue with Warrants but prior to the issuance of new Pharmaniaga Shares pursuant to the Proposed Private Placement is maintained at the combined percentage of shareholdings as at 19 February 2024, being the date of Boustead's letter of undertaking.

On 23 February 2024, the Company submitted its regularisation plan to Bursa Malaysia. The plan remains unchanged as per the announcement made by the Company on 19 February 2024.

The Proposed Capital Reduction, Proposed Rights Issue with Warrants and Proposed Private Placement are inter-conditional upon each other but not conditional upon any other corporate proposal undertaken or to be undertaken by the Company. The Board intends to implement the Proposed Rights Issue with Warrants concurrently with the Proposed Private Placement after the completion of the Proposed Capital Reduction.

The Proposed Regularisation Plan is expected to be completed in the fourth quarter of the year 2024. As at the date of the financial statements, no approvals have been obtained by the Company on the Proposed Regularisation Plan.

(b) On 7 April 2023, the MOH issued a letter stating that, based on collaboration with the *Unit Kerjasama Awam Swasta*, Prime Minister Office, a new concession agreement ("CA") for a period of ten (10) years, for the right and authority to procure, store, and supply the Approved Products to the Public Sector Customers, was expected to come into effect from 1 July 2023. The MOH expects that PLSB will always ensure that the supply of drugs and non-drugs under this concession is not disrupted and thus ensure the delivery of health and medical services to the people of Malaysia.

On 12 July 2023, MOH has issued a letter dated 12 July 2023 to PLSB for the new medical supply logistics services for a period of seven (7) years, commencing from 1 July 2023 to 30 June 2030 (instead of 10 years as stated in the letter dated 7 April 2023). Following the issuance of the letter, the interim period which commenced on 1 December 2019 to provide the services for the provision of medicines and medical supplies has ended.

On 3 January 2024, PLSB has signed the CA with MOH. The CA is to take effect retrospectively from 1 July 2023 and shall remain in force for a period of seven (7) years until 30 June 2030.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS (CONTINUED)

(c) On 15 January 2024, MOH had issued a letter to PLSB confirming that penalties payable by PLSB for failing to meet certain performance standards as agreed in the concession agreement from 1 July 2023 to 2 January 2024 were waived. Any applicable penalties will only commence from 3 January 2024 under the terms of the new concession agreement.

On 29 February 2024, the Group, in a discussion with MOH, had requested for a waiver of penalties claimed amounting to RM139.8 million as a result of PLSB's failure to meet certain performance standards specified in the previous concession agreement during the Covid-19 pandemic from March 2020 to 30 June 2023. Subsequently, the Group had several discussions with MOH from 4 March 2024 to 6 March 2024 to agree on the basis and parameters of an eligible waiver. As a result of those discussions, the Group expects the total penalties claimed of RM124.9 million to be waived as these waivers have met the parameters agreed by both parties and will be tabled to Concession Management Committee within MOH for consideration. Out of the RM124.9 million of penalties expected to be waived, RM77.0 million was recognised as penalties payable as at 31 December 2023. The remaining amount of RM47.9 million was previously deducted from payments made by MOH to PLSB.

These waivers disclosed above are non-adjusting events and shall be recognised in the financial year in which the waivers are contractually enforced.

37 RESTATEMENT OF COMPARATIVES

During the financial year, the Group and the Company restated comparatives relating to following matters:

(a) Penalties payable to customer

During the financial year, the Group included and estimated amount of penalties specified in a contract with its customer as a form of variable consideration in determining the transaction price at the inception of the contract. Previously, the Group did not consider the penalties as part of the transaction price.

(b) Borrowings

During the financial year, the Company reassessed on bank borrowings arrangements of where proceeds were utilised by its subsidiaries. The Company also reviewed arrangements with these subsidiaries pertaining to utilisation and repayments of these borrowings. Consequently, the Company restated comparatives to reflect the contractual arrangements with banks and its subsidiaries retrospectively.

Additionally, the Group and the Company had reclassified a borrowing amounting to RM98.0 million as at 31 December 2022 from Non-current liabilities - Borrowings to Current liabilities - Borrowings in the Group's and the Company's statements of financial position as at 31 December 2022. This borrowing has 'cross default' clauses, such that terms of this borrowing are assessed against compliance with covenants of other borrowings. The Group and the Company did not comply with certain financial covenants of other borrowings as disclosed in Note 26. Consequently, the Group and the Company no longer had the unconditional right as at 31 December 2022 to defer settlement of this borrowing for more than 12 months after the reporting period.

37 RESTATEMENT OF COMPARATIVES (CONTINUED)

The impact of the restatements mentioned above on affected financial statement line items for the prior period is tabulated as follows:

	Group				Company		
		Effect of restatement				Effects of restatement	
	As previously reported RM'000	Penalties payables RM'000 (a)	Borrowings RM'000 (b)	As restated RM'000	As previously reported RM'000	Borrowings RM'000 (b)	As restated RM'000
Statement of Financial Position							
As at 31 December 2022							
Non-current assets							
Deferred tax assets	27,047	21,843	*	48,890	*	*	*
Current assets							
Amount due from subsidiaries	*	*	*	*	66,336	241,600	307,936
Tax recoverable	16,343	16,352	*	32,695	*	*	*
Other receivables	89,900	(9,665)	*	80,235	*	*	*
Capital and reserves attributable to equity holders of the Company							
Accumulated losses	(404,274)	(120,952)	*	(525,226)	*	*	*
Capital deficiency	(227,356)	(120,952)	*	(348,308)	*	*	*
Non-current liabilities							
Borrowings	190,627	*	(98,000)	92,627	98,000	(98,000)	-
Current liabilities							
Other payables	147,014	149,482	*	296,496	*	*	*
Borrowings	968,272	*	98,000	1,066,272	83,000	339,600	422,600

* *No restatement applicable for the respective financial statement line items.*

37 RESTATEMENT OF COMPARATIVES (CONTINUED)

	Group			Company		
		Effects of restatement			Effects of restatement	
	As previously reported RM'000	Penalties payables RM'000	As restated RM'000	As previously reported RM'000	Borrowings RM'000	As restated RM'000
		(a)			(b)	
Statement of Financial Position						
As at 1 January 2022						
Non-current assets						
Amount due from subsidiaries	*	*	*	148,560	68,989	217,549
Deferred tax assets	33,066	19,473	52,539	*	*	*
Current assets						
Amount due from subsidiaries	*	*	*	94,746	133,235	227,981
Tax recoverable	6,713	11,584	18,297	*	*	*
Other receivables	69,873	(505)	69,368	*	*	*
Capital and reserves attributable to equity holders of the Company						
Retained earnings	293,725	(98,348)	195,377	*	*	*
Total equity	470,411	(98,348)	372,063	*	*	*
Non-current liabilities						
Borrowings	*	*	*	116,000	68,989	184,989
Current liabilities						
Other payables	175,885	128,900	304,785	*	*	*
Borrowings	*	*	*	17,000	133,235	150,235

* *No restatement applicable for the respective financial statement line items.*

37 RESTATEMENT OF COMPARATIVES (CONTINUED)

	Group			Company		
		Effects of restatement			Effects of restatement	
	As previously reported RM'000	Penalties payables RM'000	As restated RM'000	As previously reported RM'000	Borrowings RM'000	As restated RM'000
		(a)			(b)	
Statement of Comprehensive Income for the financial year ended 31 December 2022						
Revenue	3,510,677	(29,742)	3,480,935	*	*	*
Finance cost	*	*	*	(18,353)	(7,619)	(25,972)
Interest income	*	*	*	20,081	7,619	27,700
Loss before zakat and taxation	(580,846)	(29,742)	(610,588)	(6,344)	-	(6,344)
Taxation	(23,995)	7,138	(16,857)	*	*	*
Net (loss)/profit for the financial year	(605,050)	(22,604)	(627,654)	4,359	-	4,359

* *No restatement applicable for the respective financial statement line items.*

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of RM0.0173 per share respectively.

37 RESTATEMENT OF COMPARATIVES (CONTINUED)

	Company		
		Effect of restatement	
	As previously reported RM'000	Borrowings RM'000 (b)	As restated RM'000
Statement of Cash Flows for the financial year ended 31 December 2022			
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest paid	(10,069)	(7,619)	(17,688)
Interest received	-	7,619	7,619
Net cash used in operating activities	(45,715)	-	(45,715)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gross advances to subsidiaries	(35,845)	(584,845)	(620,690)
Gross repayments from subsidiaries	42	545,469	545,511
Net cash used in investing activities	(35,803)	(39,376)	(75,179)
CASH FLOW FROM FINANCING ACTIVITIES			
Drawdown of borrowings	75,000	584,845	659,845
Repayment of borrowings	(27,000)	(545,469)	(572,469)
Net cash generated from financing activities	85,247	39,376	124,623

38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2024.

SHAREHOLDINGS STATISTICS

AS AT 31 MARCH 2024

SIZE OF SHAREHOLDINGS	NO OF HOLDERS	%	NO OF SHARES	%
LESS THAN 100	704	3.656	14,303	0.001
100 TO 1,000	2,638	13.700	1,554,648	0.108
1,001 TO 10,000	9,571	49.707	50,395,058	3.497
10,001 TO 100,000	5,631	29.244	177,813,911	12.338
100,001 TO LESS THAN 5% OF ISSUED SHARES	708	3.677	333,668,625	23.151
5% AND ABOVE OF ISSUED SHARES	3	0.016	877,782,981	60.905
TOTAL	**19,255**	**100.00**	**1,441,229,526**	**100.00**

30 LARGEST SHAREHOLDERS

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD *ACCOUNT NON-TRADING*	679,152,075	47.123
2	LEMBAGA TABUNG ANGKATAN TENTERA	112,916,620	7.835
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR EAST NAVIGATORS CAPITAL LTD (PB)*	85,714,286	5.947
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR KENANGA ISLAMIC ABSOLUTE RETURN FUND*	31,020,866	2.152
5	MINAT MEGAH SDN BHD	16,100,000	1.117
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK PRIVATE WEALTH MANAGEMENT FOR TAN BOON WY (PW-M00278) (730819)*	14,285,714	0.991
7	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DASAR TECHNOLOGIES SDN BHD (CTS-DTS0002C)*	9,750,000	0.677
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)*	8,475,000	0.588
9	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR STANDARD CHARTERED BANK MALAYSIA BERHAD (WEALTH MANAGEMENT) (TEMPATAN)*	7,906,200	0.549
10	MUTHUKUMAR A/L AYARPADDE	6,849,000	0.475
11	YONG SIEW YOON	4,056,820	0.281
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP CHEE KHENG (8055840)*	4,000,000	0.278
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TENG CHI LIK (E-PDG)*	4,000,000	0.278
14	PUBLIC GOLD MARKETING SDN BHD	3,900,000	0.271
15	LEMBAGA TABUNG AMANAH MELAKA	3,500,000	0.243
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN (TJJ/KEN)*	3,499,000	0.243
17	PARMJIT SINGH A/L MEVA SINGH	3,020,200	0.210
18	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CELESTE RESOURCES SDN BHD (M)*	3,001,400	0.208

	Name of shareholders	No. of shares	%
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *YAYASAN LTAT*	2,981,000	0.207
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR MOHD ARIFFIN BIN MOHD YUSUF (AA TRUST-PB)*	2,794,300	0.194
21	AU YONG MUN YUE	2,500,000	0.173
22	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	2,470,665	0.171
23	SALMA BINTI SEMAN	2,100,000	0.146
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CELESTE ASSETS SDN BHD*	2,000,000	0.139
25	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAI LI CHONG (PENANG-CL)*	1,980,400	0.137
26	MAZLAN BIN MOHD NOOR	1,645,300	0.114
27	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AGROBULK HOLDINGS SDN. BHD.*	1,643,800	0.114
28	LEONG POH HOONG	1,619,000	0.112
29	SYED IDRUS BIN SYED ALWI	1,600,000	0.111
30	LIM YIN PENG	1,500,000	0.104
	TOTAL	**1,025,981,646**	**71.188**

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS

Size of Holdings	No. of shares direct	%
Boustead Holdings Berhad Account Non-Trading	679,152,075	47.123
Lembaga Tabung Angkatan Tentera	112,916,620	7.835
Cimsec Nominees (Tempatan) Sdn Bhd Cimb For East Navigators Capital Ltd (PB)	85,714,286	5.947

INFORMATION ON DIRECTORS HOLDINGS

	No of Shares Held in Pharmaniaga Berhad	
Name of Directors	Direct	%
IZADDEEN DAUD	–	–
DR. ABDUL RAZAK AHMAD	–	–
SARAH AZREEN ABDUL SAMAT	–	–
AHMAD SHAHREDZUAN MOHD SHARIFF	–	–
MOHAMMAD ASHRAF MD RADZI	–	–
DATO' MOHD ZAHIR ZAHUR HUSSAIN	–	–
DATO' DR. FARIDAH ARYANI MD YUSOF	–	–
DRS. IMAM FATHORRAHMAN	–	–
ZULKIFLI JAFAR	–	–

GROUP PROPERTY LIST
AS AT 31 DECEMBER 2023

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2023 (RM'000)	Date of Revaluation/ Acquisition
Lot PT 46016, HS (D) 87359, Mukim of Kapar, Klang, Selangor Darul Ehsan **Industrial Premises:** No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	A parcel of industrial land with a detached industrial building comprising a 3-storey office annexed at the front, a single storey office building, automated storage retrieval system (ASRS) warehouse, a surau, a guard house and an inflammable store	23,594	Freehold	29	51,810	31 December 2022
Lot PT 46016, HS (D) 87359, Mukim of Kapar, Klang, Selangor Darul Ehsan **Industrial Premises:** No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	A parcel of industrial land with a single storey laboratory building, chiller and a guard house	17,414	Freehold	26	31,069	31 December 2022
HS (D) 145264, PT 70920, Mukim of Kapar, Klang, Selangor Darul Ehsan **Shoplot:** No. 25, Jalan Keluli 7/109, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	3-storey shoplot	277	Freehold	9	3,514	31 December 2022
HS (D) 145263, PT 70919, Mukim of Kapar, Klang, Selangor Darul Ehsan **Shoplot:** No. 23, Jalan Keluli 7/109, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	3-storey shoplot	183	Freehold	9	2,343	31 December 2022
HS (D) 22385 PT49, Seksyen 15, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan **Industrial Premises:** No. 11, Jalan Ragum 15/17, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan	A parcel of Industrial land presently built upon with a single storey warehouse with 2 storey office annexed and a guard house	11,762	Leasehold of 99 years expiring on 12 January 2086	8	27,532	31 December 2022

GROUP PROPERTY LIST

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2023 (RM'000)	Date of Revaluation/ Acquisition
Geran 44309 of Lot 7, Mukim Pekan Puchong Perdana, Daerah Petaling, Selangor Darul Ehsan **Factory:** No 7, Jalan PPU 3, Taman Perindustrian Puchong Utama, 47100 Puchong, Selangor Darul Ehsan	An industrial land with a main 2-storey detached factory industrial building with a 3-storey office/ laboratory section at the back and a single storey warehouse section at the front, a cafeteria/surau building, a fire pump room/ cold water pump room, an inflammable store/ refuse chamber, chiller, boiler house, waste water treatment and a guard house	28,041	Freehold	23	82,794	31 December 2022
Lot PT 1157, HS (M) 9726, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **Factory:** No. 11A, Jalan P/1, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A parcel of industrial land with 3 industrial buildings, an office/ workshop, a canteen, chiller, boiler house, waste water treatment, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	38	34,318	31 December 2022
Lot 1024, Block 7, Muara Tebas Land, District of Kuching, Sarawak **Industrial Premises:** Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak	A parcel of industrial land with a 2-storey office, a warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	27	5,318	31 December 2022
Country Lease 015377554, Kota Kinabalu, Sabah **Industrial Premises:** Lorong Kurma, Kolombong Industrial Centre, KM 9, Off Jalan Tuaran, 88450 Kolombong Kota Kinabalu, Sabah	A parcel of industrial land with a 2-storey office, warehouse and a guard house	7,851	Leasehold of 66 years, expiring on 21 December 2033	21	2,964	31 December 2022

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 31/12/2023 (RM'000)	Date of Revaluation/ Acquisition
HS (M) 1479, HS (M) 1480 and HS (M) 1481, Lot No. 3806, 3807 and 3808, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang **Industrial Premises:** No. 1,3 & 5, Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Simpang Ampat, Seberang Perai, Pulau Pinang	3 contiguous 11/2 semi-detached warehouses with office	2,175	Freehold	26	5,608	31 December 2022
Flat No. 401-405, 3rd Floor, Block 5, Jalan 1/9, Section 1, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	5 units of 2–bedroom flat for staff lodging	296	Leasehold of 99 years, expiring on 31 March 2095	30	620	31 December 2022
Flat No. 501, 503, 505 and 507, 4th Floor, Block 10, Jalan 6C/11, Section 16, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	4 units of 2-bedroom flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	30	479	31 December 2022
Lot PT 10908, HS (M) 9124, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **House:** No. 5, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	37	388	31 December 2022
Lot PR 10911, HS (M) 9127, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **House:** No 11, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	37	388	31 December 2022

GROUP PROPERTY LIST

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2023 (RM'000)	Date of Revaluation/ Acquisition
Lot 0111111, No. HM 144/1977 & Lot PT 0000102, No. HM 237/1984, Mukim Sungai Pasir, Sungai Petani, Kedah Darul Aman **Factory:** Lot 24 & 25, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, chiller, boiler house, purified water system, waste water treatment and solar system	40,469	Leasehold of 99 years, expiring on 1 January 2083	46	15,755	31 December 2022
Lot 276, 277 & 278, District of Mukim of Bandar Seri Iskandar, Perak Tengah, Perak Darul Ridzuan **Factory:** Lot 120, Taman Farmaseutikal, 32610 Bandar Seri Iskandar, Perak Darul Ridzuan	A parcel of building land built upon a defected industrial building with a 2–storey office building, prayer room, canteen, warehouse, penicillin and non penicillin production plant buildings, laboratory building, chiller, boiler house, TNB sub-station, waste water treatment and a guard house	60,737	Leasehold of 99 years, expiring on 13 March 2100	27	31,571	31 December 2022
Blok D, 20 & 21, Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	453	Leasehold of 23 years to 2 June 2036	21	484	May 2023
Blok D 19, Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	204	Leasehold of 20 years to 24 September 2033	6	203	May 2023
Bintara, Jalan Raya Kp. Setu No.28 A-B Bekasi	Office and warehouse	9,436	Freehold 20 years to 8 April 2033	1	11,436	20 December 2023
Jalan Kalibokor Selatan, 152 Surabaya, Indonesia	Office and warehouse	1,133	Leasehold of 5 years to 24 July 2026	42	194	31 December 2022
Jalan Hayam Wuruk I, No.45, Bandar Lampung, Indonesia	Office and warehouse	1,072	Leasehold of 20 years to 17 November 2036	7	1,979	5 May 2023
Jalan Peundeuy, RT/RW 04/07, Desa Bojongsalam Kecamatan Rancaekek, Kabupaten Bandung, Indonesia	An industrial land with office, warehouse, guard house and electricity sub-station	16,492	Leasehold of 30 years to 01 October 2043	39	10,145	1 January 2023

GROUP CORPORATE DIRECTORY

LIST OF COMPANIES

Pharmaniaga Berhad

Pharmaniaga Logistics Sdn Bhd

Pharmaniaga Marketing Sdn Bhd

Pharmaniaga Research Centre Sdn Bhd

Pristine Pharma Sdn Bhd

Pharmaniaga Biomedical Sdn Bhd

Pharmaniaga International Corporation Sdn Bhd

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