pharmaniaga

DELIVERING GROWTH

annual report 2011

Our Core Values

- Respect
- Integrity
- Teamwork
- Excellence

Cover Rationale

Aptly themed, the 2011 Annual Report reflects our strong organic growth which we experienced in the year under review. Nurtured with our value creation strategy in four areas - Finance, Customer, Internal Business Process and Organisational Learning & Growth and firmly rooted with our core values of Respect, Integrity, Teamwork and Excellence, the Pharmaniaga Group is poised to be the nation's partner in improving the healthcare system.

Contents

VISION

THE PREFERRED PHARMACEUTICAL BRAND IN REGIONAL MARKETS

MISSION

PROVIDE QUALITY PRODUCTS AND SUPERIOR SERVICES BY PROFESSIONAL, COMMITTED AND CARING EMPLOYEES

PERFORMANCE HIGHLIGHTS

REVENUE

RM1.521 billion

PROFIT BEFORE TAXATION

RM73.2 million

EARNINGS PER SHARE

44.3 sen

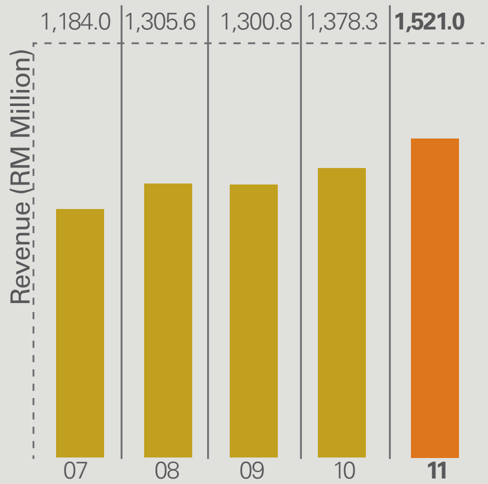
NET DIVIDEND PER SHARE

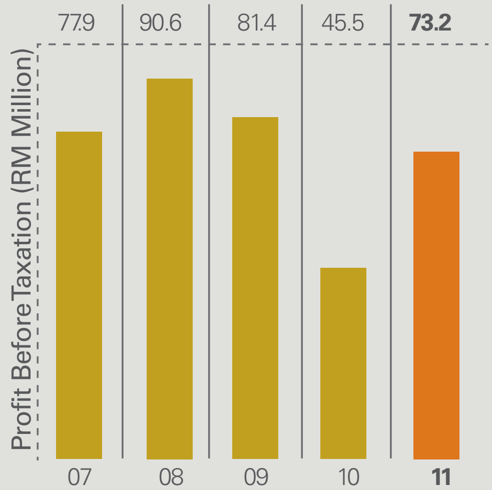
27.8 sen

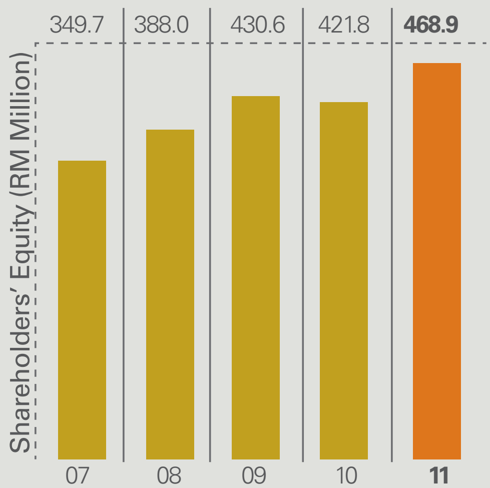
Five-Year Financial Highlights

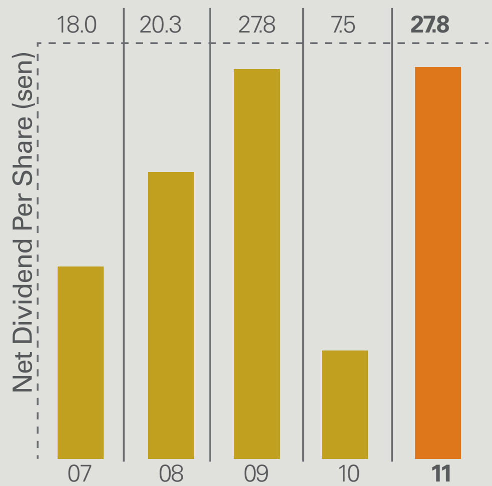
		2011	2010	2009	2008	2007
FINANCIAL PERFORMANCE						
Revenue		**1,521.0**	1,378.3	1,300.8	1,305.6	1,184.0
Profit before taxation		**73.2**	45.5	81.4	90.6	77.9
Profit after taxation		**52.8**	30.3	61.7	61.4	51.7
Net profit attributable to shareholders		**52.2**	30.4	60.2	60.0	50.1
Earnings per share	sen	**44.3**	25.8	51.2	51.0	42.6
Return on equity	%	**11.7**	7.1	4.7	16.3	15.0
Return on assets	%	**8.0**	6.1	10.6	11.5	10.2
Return on revenue	%	**5.1**	3.6	6.6	7.4	7.4
DIVIDENDS						
Dividend payment		**31.9**	8.0	29.7	21.6	19.3
Net dividend per share	sen	**27.8**	7.5	27.8	20.3	18.0
Dividend yield - net of tax	%	**4.7**	1.4	6.3	5.8	5.6
Dividend cover		**1.6**	3.8	2.0	2.8	2.6
GEARING						
Borrowings		**188.3**	33.1	65.5	122.1	224.9
Gearing	times	**0.4**	0.1	0.2	0.3	0.6
Interest cover	times	**18.6**	12.2	19.2	15.5	9.0
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**438**	394	402	363	327
Price earning ratio	times	**13.3**	21.1	8.6	6.9	7.6
Paid up share capital		**107.0**	107.0	107.0	107.0	107.0
Shareholders' equity		**468.9**	421.8	430.6	388.0	349.7
Total equity		**483.3**	437.5	446.3	402.2	362.5
Total assets		**1,133.5**	801.9	818.2	798.3	884.9

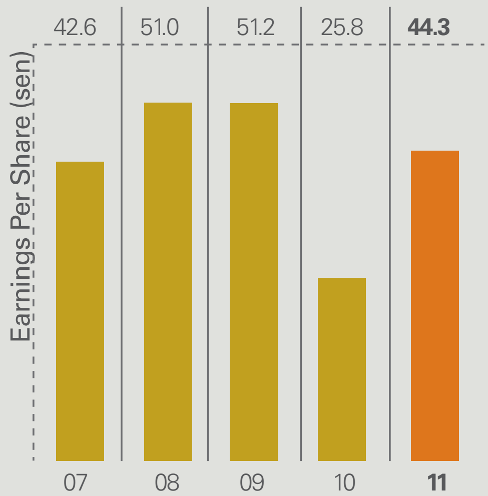
All figures are in RM million unless stated otherwise.

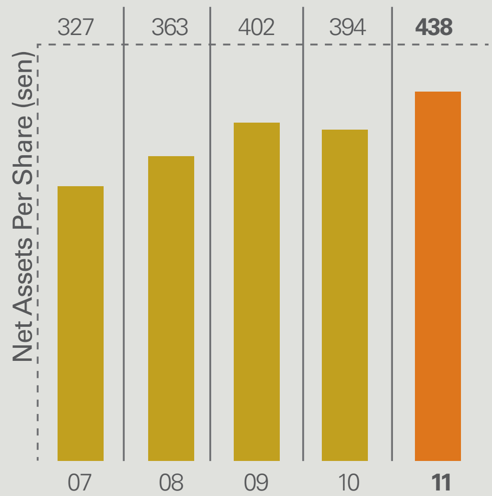

Revenue (RM Million)
1,184.0
1,305.6
1,300.8
1,378.3
1,521.0
07
08
09
10
11


Profit Before Taxation (RM Million)
77.9
90.6
81.4
45.5
73.2
07
08
09
10
11


Shareholders' Equity (RM Million)
349.7
388.0
430.6
421.8
468.9
07
08
09
10
11


Net Dividend Per Share (sen)
18.0
20.3
27.8
7.5
27.8
07
08
09
10
11


Earnings Per Share (sen)
42.6
51.0
51.2
25.8
44.3
07
08
09
10
11


Net Assets Per Share (sen)
327
363
402
394
438
07
08
09
10
11

Corporate Information

Company Secretaries

Sharifah Malek (LS00448)
Yanti Irwani Abu Hassan (MACS01349)

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market – Trading / Services

Registered Address

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

Auditors

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

Share Registrar

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

Principal Bankers

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

Business Address

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

Audit Committee

Chairman
Mohd Suffian Haji Haron

Members
Izzat Othman
Daniel Ebinesan
Lieutenant General Dato' Seri Panglima
Dr Sulaiman Abdullah (Retired)

Nomination Committee

Chairman
Mohd Suffian Haji Haron

Members
Tan Sri Dato' Lodin Wok Kamaruddin
Izzat Othman

Remuneration Committee

Chairman
Mohd Suffian Haji Haron

Members
Tan Sri Dato' Lodin Wok Kamaruddin
Izzat Othman

Financial Calendar

Financial Year	1 January to 31 December 2011			
Results	First quarter Announced 13 May 2011		Second quarter Announced 10 August 2011	
	Third quarter Announced 1 November 2011		Fourth quarter Announced 21 February 2012	
Annual Report	Issued 13 March 2012			
Annual General Meeting	To be held 4 April 2012			
Dividends	First interim		Second interim	
	Announced	21 December 2011	Announced	21 February 2012
	Entitlement date	10 January 2012	Entitlement date	12 March 2012
	Payment date	26 January 2012	Payment date	28 March 2012

Board of Directors

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

Dato' Farshila Emran
Managing Director

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

Daniel Ebinesan
Non–Independent
Non–Executive Director

Mohd Suffian Haji Haron
Senior Independent
Non–Executive Director

Izzat Othman
Independent
Non–Executive Director

Profile of Directors

Tan Sri Dato' Lodin Wok Kamaruddin

Non-Independent
Non-Executive Chairman
62 Years of Age, Malaysian

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

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

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

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

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

Dato' Farshila Emran

Managing Director
46 Years of Age, Malaysian

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

An EXCO member of the Malaysian Pharmaceutical Organisation Board, Dato' Farshila also sits on the Board of Idaman Pharma Manufacturing Sdn Bhd (IPMSB) and contributes as a member of the advisory committee for women in business under the Federation of Malaysian Manufacturers (FMM) as well as the National Association of Women Entrepreneurs of Malaysia (NAWEM).

Dato' Farshila has vast experience and knowledge in developing and managing businesses in various fields. Prior to founding IPMSB, she was an Assistant Representative of SEVES Sediver France from 1990 to 1995, a public listed high voltage transmission line equipment company in France. She was later made a Representative of that company for Malaysia until 2001.

She holds a Diploma in Office Management from MARA University of Technology and Masters in Business Administration (C) from Universiti Utara Malaysia.

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

Independent
Non–Executive Director
56 Years of Age, Malaysian

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) was appointed to the Board of Pharmaniaga Berhad on 29 December 2011.

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

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

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

Currently, he is the President of Cyberjaya University College of Medical Sciences in Cyberjaya.

Profile of Directors

Daniel Ebinesan

Non–Independent
Non–Executive Director
66 Years of Age, Malaysian

Daniel Ebinesan was appointed to the Board of Pharmaniaga Berhad on 25 March 2011. He is also a member of the Audit Committee.

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

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

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

Mohd Suffian Haji Haron

Senior Independent
Non–Executive Director
66 Years of Age, Malaysian

Mohd Suffian Haji Haron has been appointed to the Board on 29 April 2011. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

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

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

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

Izzat Othman

Independent
Non–Executive Director
51 Years of Age, Malaysian

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

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

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

Note :

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

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

Management Team

from left to right

Dato' Farshila Emran
Managing Director

Norai'ni Mohamed Ali
Director, Procurement

Datin Shamsinar Haji Shaari
Director, Manufacturing

Sharifah Fauziyah Syed Mohthar
Director, Regulatory Affairs & Customer Care

Faizatul Akmar Abu Bakar
Chief Financial Officer

Jamaludin Elis
Director, Commercial

Mohamed Iqbal Abdul Rahman
Director, Information Technology

Abdul Malik Mohamed
Director, Logistics & Distribution

Chairman's Statement

Dear Shareholders,

As this is my inaugural statement as your new Chairman, I would like to start by thanking you for your steadfast support to Pharmaniaga Berhad. 2011 was a transformational year for us, we underwent a significant internal restructuring to emerge as a more efficient entity and are now a proud member of the Boustead Group.

With our newly appointed management team, made up of professionals from various backgrounds and possessing a high calibre of skills and experience, we are confident of our ability to capitalise on the resources that are now available to us as part of the larger group that we belong to, in order to strengthen our footing in the pharmaceutical sector.

Our first nine months under the Boustead Group has indeed brought about tangible benefits to our bottom line as we delivered a strong performance. Pharmaniaga is pleased to report a profit before tax of RM73 million for the financial year under review compared with RM45 million the previous year.

I am pleased to present you with our annual report for the year ended 31 December 2011.

ECONOMIC LANDSCAPE

The Malaysian economy proved to be resilient, recording a 5.1% growth in 2011 despite the challenging external environment with expansion supported by domestic demand owing to both private and public sector's spending.

However, due to the uncertainty surrounding the resolution of the ongoing Eurozone debt crisis, fiscal consolidation in the advanced economies is expected to inflict added pressure on the global financial system, consequently bearing on the prospects for sustained global growth. The more challenging external environment could pose greater risks to Malaysia's growth.

Despite this outlook, we remain confident that, as an emerging market, Malaysia possesses tremendous potential, especially given the increasing purchasing power of the population. Based on figures from the Pharmaceutical Association of Malaysia, the overall size of the Malaysian market for prescription and over the counter drugs currently stands at RM5.1 billion, despite a population of just 28 million people.

With a rising income per capita, enhanced medical diagnosis, increasing longevity, the growing prevalence of chronic diseases and emerging consumer health consciousness, Malaysia has projected a compound annual growth rate of 9.5% in the pharmaceutical sector from 2009 to 2014.

Economic growth has caused a change in the lifestyle habits and health profile of the nation. Studies indicate that 30% of Malaysians are technically considered obese, with another 30% being overweight while 14.9% of the population suffers from diabetes. This translates to chronic diseases becoming the new healthcare challenge for the country.

FINANCIAL PERFORMANCE

During the year, Pharmaniaga initiated several significant operational restructuring programmes at all levels with a view to improving efficiencies and productivity which has resulted in us surpassing our previous financial year's performance, setting the tone for future earnings growth.

Chairman's Statement

Pharmaniaga recorded a revenue of RM1.5 billion which translates to a 10% growth compared with the previous financial year. The main driver of growth has been the Logistics & Distribution Division which benefited from the increase in sales from our Government business.

We closed the year with a profit after tax of RM53 million compared with RM30 million in the previous year. Our earnings per share improved to 44.3 sen (2010: 25.8 sen) while net assets per share was RM4.38 (2010: RM3.94). Shareholders' funds stood at RM469 million for the year ended 31 December 2011 compared with RM422 million in the previous year.

DIVIDEND

With our commitment to strike a balance between long-term capital growth and rewarding shareholders with good returns and taking into account our positive performance this year, the Board has paid a first interim dividend of 9 sen per share less tax of 25% for the financial year ended 31 December 2011. A second interim single tier dividend of 21 sen per share is set to be paid on 28 March 2012. This represents a 4.7% yield based on the closing price for the financial year.

In addition to the dividend payout, we also rewarded our shareholders with a bonus issue on the basis of one Pharmaniaga bonus share for every 10 shares held.

CORPORATE INITIATIVES

Indeed, it was an eventful year for us as we witnessed significant movements in our shareholding structure. Our previous major shareholder was UEM Group Berhad, a group linked to the nation's sovereign investment fund, Khazanah Nasional Berhad. Having gone through a shareholding change, our major shareholder today is Boustead Holdings Berhad (Boustead), whose parent entity is Lembaga Tabung Angkatan Tentera. The acquisition process which began in the previous financial year came to fruition when the Boustead Group took control in March 2011.

In order to maintain our listing status, Boustead has undertaken various initiatives to reduce its 97.81% stake in Pharmaniaga and hopes to achieve the public float requirement of 25% in the coming financial year.

To further consolidate our foothold in the pharmaceutical industry, we also undertook a corporate restructuring exercise during the year, acquiring 100% of Idaman Pharma Manufacturing Sdn Bhd (IPMSB) for RM99.7 million from Boustead and other shareholders of IPMSB. In addition, the Share Sale Agreement also included the settlement of an intercompany debt between IPMSB and Boustead. As a result of this acquisition, our gearing ratio increased from 0.1 times to 0.4 times at financial year end. We are comfortable with our current gearing which we believe is at a healthy level.

Chairman's Statement

As a market leader in the pharmaceutical sector where knowledge is the name of the game, Pharmaniaga is mindful of the importance of recruiting the right talent

IPMSB has a sterling track record, delivering an improved profit of RM40 million compared with RM21 million in the previous year. The acquisition of this profitable entity was completed in December 2011. This was followed by the novation of Supply Agreement between Pharmaniaga Logistics Sdn Bhd and Idaman Pharma Sdn Bhd to IPMSB which is expected to grow our Group's business potential as there are already existing contracts to supply pharmaceutical products to the Government of Malaysia.

We are confident that managing the operations of Pharmaniaga and IPMSB collectively will bring about synergistic benefits. We also look forward to cost improvements as a result of streamlining and optimising manufacturing facilities and production capacities as well as the sharing of best practices.

HUMAN CAPITAL

Our people are our greatest assets and indeed they are the backbone of our operations. Whether it is recruiting new employees or retaining current talents, we are firm in our commitment to provide our workforce with the right tools in order to maximise their potentials. In line with this, we have established an efficient human capital strategy to nurture our employees and supply them with the edge needed to thrive in the competitive pharmaceutical industry.

As a market leader in the pharmaceutical sector where knowledge is the name of the game, Pharmaniaga is mindful of the importance of recruiting the right talent. As such, we engaged universities and colleges to identify potential candidates to fill up new positions that are constantly created as Pharmaniaga grows. Our efforts have resulted in significant awareness among undergraduates when we were voted by The Malaysian Graduate Barometer 2011 as one of Malaysia's 100 Leading Graduate Employers.

Pharmaniaga Managing Director, Dato' Farshila Emran presented medical supplies for famine victims in Somalia, to President Kelab Putera 1Malaysia, Dato' Azeez Rahim

WE CARE

At Pharmaniaga, we are aware of our responsibility not only to optimise shareholder value but also to contribute positively towards the advancement of the communities we operate within.

Being a caring corporate organisation, we have conducted and participated in various Corporate Responsibility programmes including the supply of much needed medicine and medical equipment for famine victims in war-torn Somalia. On the domestic front, our flagship Skuad Operasi Sihat continues to bring cheer to communities in rural and suburban locales with health check activities.

OUTLOOK

All economic indicators point to a slowdown in global economic growth for 2012. However, we remain positive on the prospects for the healthcare sector, given the Government's focus on accelerating Malaysia's economic performance to achieve developed nation status by 2020. This is evident given the Government's planned spending in its Tenth Malaysia Plan (10 MP).

Taking into consideration the various challenges as well as abound opportunities in Malaysia's healthcare sector, the Government is focused on reforming the industry, targeting four key areas, namely transforming the delivery of the healthcare system, increasing the quality, capacity and coverage of the healthcare infrastructure, shifting towards wellness and disease prevention rather than treatment and increasing the quality of human resources for health via the 10 MP. This is expected to propel the healthcare and pharmaceutical industry forward, a scenario which augurs well for the Group.

This year saw a renewal in the Concession Agreement with the Ministry of Health for the supply of pharmaceutical products up until end November 2019. This was indeed a key milestone as the concession segment remains our primary revenue generator, providing the Group with a steadily growing business allowing us to move up the pharmaceutical value chain.

Our plans to expand overseas are also progressing well, with the signing of a Memorandum of Collaboration for a pharmaceutical joint venture project with Modern Industrial Investment Holding Group Co Ltd, a Riyadh-based holding company, and E-Healthline, a US-based company which provides integrated healthcare management solutions. This will enable the three parties to explore the possibility of installing and operating a pharmaceutical complex in Saudi Arabia which will cater to markets in the Middle East and North Africa.

Pharmaniaga will focus on penetrating key international markets that hold the most potential albeit competitive market conditions. We are optimistic about the prospects that the coming year will present and are committed to expanding our business locally and internationally, enhancing production capabilities and eventually enhancing shareholder value.

Chairman’s Statement

ACKNOWLEDGEMENT

Our performance this year would not have been possible if not for the unrelenting dedication and hard work of our employees. The new management team deserves special mention for their efforts. Within a short span of nine months, they have been able to create positive waves of change.

On behalf of Pharmaniaga, allow me to extend our appreciation to the former Chairman YBhg Datuk Mohamed Azman Yahya, for his exemplary leadership of the Group.

Pharmaniaga would like to thank the former Board of Directors, namely YBhg Datuk Sulaiman Daud, Emeritus Prof Dato' Wira Ir Dr Mohammad Noor Haji Salleh and Mr Oh Kim Sun for their insight and contribution over the years. At the same time I am pleased to welcome our new line-up of Directors, YBhg Dato' Farshila Emran, Mr Daniel Ebinesan, En Izzat Othman, En Mohd Suffian Haji Haron and Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) and look forward to working with them as we address both the opportunities and challenges that lie ahead.

To all our shareholders, our sincere gratitude for your firm belief in us. We also extend our hands in appreciation to our customers, suppliers, partners, principals and bankers who have played their part in our success. Of particular mention, thank you to the Ministry of Health for the trust they have placed in us as well as the relevant Government bodies in Malaysia for assisting in the smooth running of our operations.

TAN SRI DATO' LODIN WOK KAMARUDDIN
Chairman
2 March 2012

Chief Executive's Review

Dear Shareholders,

This year has seen many significant changes taking place in Pharmaniaga Group, from our controlling shareholder to our new management team. As a matter of fact, I too am a new addition to the Group and it gives me great pleasure to write to you for the first time as your Chief Executive.

True to our Annual Report's theme of Delivering Growth, the year has seen us deliver via our four-point value creation strategy, namely, Financial, Customer, Internal Business Process, and Organisational Learning & Growth.

FINANCIAL PERFORMANCE

I am pleased to note that the Group recorded a substantial growth in revenue of RM1.5 billion for the year under review. Our improved turnover was mainly attributed to the strong performance recorded particularly by our key contributor, the Logistics & Distribution Division.

The Group appreciates the importance of enhancing shareholder value and is pleased to inform that we are paying out a net dividend of 27.8 sen per share for the financial year. This represents a significant increase over last year's dividend of 7.5 sen.

KPI	FY2011	Target	FY2010
Return on Equity (ROE)	11.7%	11.9%	7.1%
Return on Asset (ROA)	8.0%	9.5%	6.1%
Net Dividend per share	27.8 sen	20 sen	7.5 sen

The 10-year Concession Agreement (CA) with the Ministry of Health (MOH) which kicked off on 1 December 2009 is a major undertaking for us. Pharmaniaga is committed to delivering above and beyond the expectations of the MOH. The Government's vote of confidence is indeed a matter of great importance to us.

The concession business which is our key revenue generator, sees us managing the purchasing, storage, supply as well as distribution of approved drugs and medical products to Government hospitals and clinics throughout the nation. The revenue for this sector registered an 11% growth over the previous year, contributing 60% to our Group's revenue.

A significant element of the new CA is the implementation of the Pharmacy Information System at 148 Government hospitals and the Clinic Pharmacy System at over 1,200 clinics and district offices nationwide. The new system, also known as PhIS, will facilitate the management of pharmacy services across the board. We will provide support and maintenance for the system. To ensure effective data management, we have secured technical know-how via a RM72.8 million project.

Chief Executive's Review

Our non-concession Government business contributed approximately 15% to our Group's revenue. As for our distribution business, our international arm, PT Millennium Pharmacon International Tbk (MPI) which is based in Indonesia recorded a good year with sales up 12% to RM336 million. MPI currently serves 24 principals nationwide and has a total of 29 branches including three pooling warehouses that are located throughout Indonesia.

Our Manufacturing Division recorded a revenue of RM136 million due to the combined contribution from our two operating plants in Bangi and Puchong. We are committed to improving the performance of our manufacturing facilities and to this end, significant upgrading programmes have been put in place at the plants and extensive programmes are conducted to further enhance the skills of our employees. The sites will continue to focus on improving and strengthening quality.

Recognising the value of a strong marketing effort and its importance to our future success, Pharmaniaga undertook several marketing initiatives including the implementation of advertising and promotional campaigns with strategic partners. Our efforts have played a part in boosting sales.

As a Group involved in the healthcare sector, we are mindful that innovation is key in addressing the challenges of providing healthcare products for our nation's growing population while conserving resources. As such, the Group has been expanding our stable of offering and optimising production processes through research and development (R&D). Our R&D centre boasts a dedicated team of researchers and scientists working on various projects.

OUTLOOK

As a member of the Boustead Group, we are committed to delivering value to our shareholders. In order to do this, a Group-wide strategy to improve efficiency and productivity while sustaining growth has been put in place.

Our shareholders will be able to benefit from the positive prospects in the healthcare sector given the importance placed on its development in the Government's 2012 Budget. As an integral component of this sector, the pharmaceutical industry has high growth potential in domestic and export markets especially given its present strength in generic drug production. We are confident of Pharmaniaga's ability to capitalise on this given its stable of more than 500 generic drugs registered with the Drug Control Authority of MOH.

Our renewed CA with the MOH is certainly a boost for the Logistics & Distribution Division. Plans for this Division in the new financial year include focus on the expansion of our warehousing facilities. The Group is looking to invest in new storage space to cater to our expanding list of orders to ensure the clients receive products on time and in perfect condition. The advances made in our supply chain processes will allow us to sustain this momentum into 2012.

Meanwhile, Pharmaniaga has plans in the pipeline to operate its own manufacturing facilities producing generic drugs in Indonesia. The Group foresees that this is a way to strengthen our position in Indonesia while providing an additional source of revenue. This is expected to be a catalyst for significant growth for Pharmaniaga.

An ongoing upgrading efforts are expected to further improve capacity and efficiency at our manufacturing plants. We believe our continuous improvement approach via our production efficiency monitoring as well as standard work and quality management review will help us manage cost more effectively at our sites and maintain our position as a leading manufacturer and supplier of quality pharmaceutical products. For our Pharmaniaga LifeScience manufacturing facility, we aim to seek European Union certification to attract European customers to come in.

Pharmaniaga looks to expand its international reach in Saudi Arabia, United Arab Emirates, Vietnam, Myanmar, Singapore, Hong Kong, Sri Lanka, Brunei and the Philippines. We have taken a strategic approach of focusing on the growth of core segments in these selected countries.

Domestically, marketing initiatives will be put in place to further promote our over-the-counter products and strengthen Pharmaniaga as the preferred brand in Malaysia.

Chief Executive's Review

With renewed commitment, enhanced skills and a positive work culture, we aspire to be on the leading edge of the healthcare industry

We are aware of Traditional Complementary Medicine and its untapped potential particularly in Malaysia. As such we look to capitalise on it with the right R&D and marketing in accordance to international standards. In line with this, the Group is collaborating with the Government to develop and commercialise local herbal products such as 'Kacip Fatimah', a phytomedicine or botanical drug. Innovation will therefore remain a key driver of the Group's growth in the future.

The Group is optimistic about the response for our future product launches and have identified 75 new high potential products for this purpose, including antidiabetic and cardiovascular drugs. It is our mission to facilitate in improving human health via world-class medical research and in order to achieve this, the Group supports research across the biomedical spectrum in partnership with the MOH.

At Pharmaniaga, we are focused on our transformational journey to become the preferred premier pharmaceutical company. Fuelled by the Government's fresh mandate and our successful delivery track record, we are confident in our ability to grow in the highly dynamic pharmaceutical sector.

Dear Shareholders, we trust that the significant changes you have seen taking place in the Group have revived your sense of optimism in our ability to deliver shareholder value.

We have elaborated on the key highlights of our business in the following pages and hope you will find our efforts and endeavours noteworthy. With renewed commitment, enhanced skills and a positive work culture, Pharmaniaga aspires to be on the leading edge of the healthcare industry.

DATO' FARSHILA EMRAN
Managing Director
2 March 2012

Operations Review

LOGISTICS & DISTRIBUTION

In the year under review, the Division's total revenue, from both Malaysian and Indonesian operations, is RM1.52 billion, an increase of 10% over RM1.38 billion recorded in 2010. The Division also saw growth in profit before tax which increased three-fold from RM22.8 million to RM64.0 million.

Operations Review Logistics & Distribution

MALAYSIAN OPERATIONS

The major contributor for the Malaysian operation was from the concession business which recorded a revenue of RM903.8 million, a growth of 11%. The double digit growth in the concession business was led by top line pharmaceutical products such as DTaP-IPV-HiB vaccine, normal saline, Gliclazide, Iron Tablet, Metoprolol, Diphenhydramine Expectorant and Amoxycillin. The last five of these top-selling items are our own products manufactured at our plants.

Buffer stock levels were increased and order fulfilment period shortened to meet the prerequisites of the new Performance Standard and other given deliverables under the new Concession Agreement (CA) with the Ministry of Health (MOH). By mid-year, the stock holding pattern attained the revised stipulated levels of three months of buffer stock and two months of rolling stock for essential items ensuring availability of stocks to all customers.

The higher stock levels prescribed by MOH took warehousing capacity utilisation to the maximum in all our warehouses. As a result, additional supporting storage capacity was contracted during the year in the Central Region. The breadth of the Pharmaniaga storage network creates the ability to promptly fulfill all orders from MOH throughout the country. Cold room capacity at all three branches in Juru, Kota Kinabalu and Kuching, inclusive of upgrading generator sets, was expanded to handle the growing volume of items needing chilled storage.

Our Regulatory Compliance team continuously conducts routine Good Distribution Practice (GDP) audits at all of Pharmaniaga's warehouses, as well as investigative inspections. Moving forward, the team will also continue to act as an advisory and information centre, providing legal pharmaceutical advisory service, among other things.

Besides the concession business, we also service the non-concession business to the MOH hospitals as well as Teaching Hospitals under the Ministry of Higher Education, the Healthcare Services Division of Ministry of Defence and the National Heart Institute. This segment contributed approximately 15% of the Group's revenue.

Customer Care

As the custodian of the CA, we are in constant contact with more than 1,000 public sector customers. All calls and enquiries from these customers are channelled to a new Customer Care Call Centre. During the year, this centre expanded its services to cater for private sector customers as well as adding Sundays as a service day. We also manage product complaints and provide assistance in any investigation relating to those complaints.

Besides handling customer calls, we also organise dialogue sessions with Departments of Health in all the states in Malaysia twice a year. In 2011, 20 such dialogues were conducted. These sessions are a good platform for us to meet, interact and respond in person to the queries or complaints by them.

Vendor Development Programme

Under the renewed CA with the MOH, we are responsible for implementing the Vendor Development Programme which is an initiative to supervise Bumiputera manufacturers under the Ministry of Finance Adoption Scheme.

The purpose of this support programme is to enhance these vendors' performances, help them improve operations, achieve their business goals, and develop greater cost efficiency that leads to more competitive pricing to the Government. Our aid, administered through financial assistance, process improvement and advice on enhancing human capital, is targeted to ensure their business success and independence by the end of Pharmaniaga's current concession period in 2019.

One of the key deliverables in the new Concession Agreement is the implementation of a Pharmacy Information System and Clinic Pharmacy System

Information Technology

One of the key deliverables in the new CA is the implementation of a Pharmacy Information System (PhIS) and Clinic Pharmacy System (CPS). The scope covers the design, development, installation, configuration, testing, commission, support and maintenance of PhIS to be used at 148 Government hospitals and CPS for use at over 1,200 clinics and district offices nationwide.

The objective of the system is to enhance pharmacy services at hospitals and clinics by enabling knowledge sharing capabilities across all activities such as patient medication, inpatient and outpatient pharmacy services. This project is to be achieved via the seamless integration of all relevant applications currently being used at the hospitals. A data mining tool will be complementing the system enabling an effective data management environment that will result in better service and delivery capabilities to both internal and external clients.

Commercial

As we aspire to increase market base and create long term sustainable business, our Commercial unit plays a vital role in promoting the Pharmaniaga brand beyond the concession.

With vigorous marketing, our key products such as Erythromycin, Xylid, Simvastatin and Benalix experienced encouraging sales. In the year under review, we launched the new antiobesity product Cuvarlix (Orlistat) and the consumer children's range of Citrex. The latter has a unique branding linkage with Supertots, a highly rated animation series that have global broadcasting rights, bringing Pharmaniaga up a notch in terms of global brand advertising.

The Commercial unit's Medical Equipment arm has also received two Letters of Award from Ministry of Defence and Universiti Malaysia Sarawak for the supply of medical and non-medical equipment worth RM2.6 million and RM7.8 million respectively during the year under review.

Moving forward, through this unit, we are pursuing on the Public Private Partnership with the MOH through our Built, Lease, Maintain and Transfer project for the Paediatric Hospital UKM, Woman and Child Hospital Kuala Lumpur and Petrajaya Hospital Sarawak.

INDONESIAN OPERATIONS

Pharmaniaga's public listed unit in Indonesia, PT Millennium Pharmacon International Tbk (MPI), which distributes and trades pharmaceuticals, food supplements and diagnostic products recorded RM336 million revenue, a 12% growth in 2011 due to its intensified focus on financial and operational efficiency.

To date, MPI has a total of 29 branches throughout Indonesia including three pooling warehouses that are located in Jakarta, Bandung and Surabaya. MPI currently serves 24 principals nationwide. Our venture is gaining recognition in Indonesia due to many years of experience and its expertise in the distribution and delivery of pharmaceutical products especially in the ethical segment. This is proven by its achievement this year in attracting and securing a number of new principals.

Aside from open communication channels, we have regular meetings and discussion with principals to review sales plans and map strategy, thereby strengthening ties and understanding. We have also taken steps to enhance internal control systems to ensure reliable financial reporting, effective and efficient operations and compliance with applicable laws and regulations.

Operations Review

MANUFACTURING

The combined revenues in the Manufacturing Division from the two operating plants in Bangi and Puchong reached RM136 million in 2011.

OUR PLANTS

Pharmaniaga Manufacturing Berhad (PMB), Bangi, a supplier of high quality generic pharmaceutical products, embarked on a revamped production to ensure long term sustainability and commitment. Milestones included the installations of a new high speed blister packaging line and two cartoners. The addition of these new machines boosted PMB's high speed packaging capability. The expansion of the packaging capacity, the lowering of manufacturing costs, and the enhancement in quality and compliance to Environment, Safety and Health standards, promises security of supply in the event of any sudden surge in market demand.

PMB received a routine Good Manufacturing Practice (GMP) audit by Ministry of Health, Malaysia in June 2011. The site will continue to focus on continuous improvement as a tool to improve process capability and quality across both manufacturing and packaging activities.

As part of Pharmaniaga's Quality, Environment, Safety & Health (QESH) policy constant update is made to the site's Risk Register that gives a detailed assessment of risks identified and rectified. Several issues and concerns were addressed during the year under review to ensure good housekeeping in strict accordance to QESH guidelines.

Pharmaniaga's new Puchong factory, Pharmaniaga LifeScience (PLS), the Manufacturing Division's world-class facility for the production of injectable medicines, started commercial production in January 2011.

2011 has seen the team at PLS successfully met the challenge of achieving high quality routine production. The plant produces products used in hospitals throughout Malaysia and is positioned to attract contracts from multinational pharmaceutical and biotech companies.

Current capabilities include the manufacture of ampoules and vials with a capacity of more than 35 million units per year. In line with operating plans, future expansion is now planned with new technology to grow the business and become the leading pharmaceutical injectables manufacturer in the region. To meet this objective, our Business Development team is working diligently to secure clients to fill the available capacity of the facility.

Operations Review Manufacturing

During the year, the Pharmaniaga Group undertook a corporate restructuring exercise, acquiring 100% of Idaman Pharma Manufacturing Sdn Bhd (IPMSB) which was previously a subsidiary of Boustead Group. IPMSB has two manufacturing sites, one in Sungai Petani, Kedah which manufactures oral solid dosage and galenical preparations for non-penicillin based products while the other plant is in Bandar Seri Iskandar, Perak which manufactures only penicillin products both in oral solid as well as in granule dosage form. These two sites are also major suppliers to the concession business.

RESEARCH & DEVELOPMENT

At the Pharmaniaga Research Centre (PRC) 36 medical research scientists deploy high-tech research equipment to develop various categories of products to international standards to meet current market demands.

During the year, PRC successfully developed 17 new products for the local market. These products ranged from galenicals to solids and injectables.

The analytical facility is accredited with Laboratory Quality Management ISO 17025 certification by the Department of Standards Malaysia, under the Ministry of Science, Technology and Innovation.

CLINICAL AFFAIRS

At our manufacturing plants, we ensure compliance in clinical studies including Bio-Equivalence (BE). This is achieved by monitoring the clinical phases of BE studies in accordance with Good Clinical Practice guidelines.

It is imperative that generic products we produce are bio-equivalent to the innovator products and are clinically interchangeable. To date, there are 24 Pharmaniaga products with satisfactory BE status while 13 more BE reports are pending evaluation by the Drug Control Authority (DCA).

According to the latest DCA directives, effective 1 January 2012, BE study is compulsory for all "immediate release, solid oral dosage form" generic products containing scheduled poisons. Therefore, more studies will be undertaken in the near future.

REGULATORY AFFAIRS

We strictly observe that all our products are of the right quality, safe and efficacious. Therefore, the Regulatory Affairs unit administers our products registration needs locally and internationally. Though no new products were registered locally in 2011, we have successfully registered 41 products in international markets in Vietnam, Myanmar and Macau during the year. In total, we have more than 500 products registered locally and another 180 products registered in 10 countries.

OUR TEAM

LOGISTICS & DISTRIBUTION

The Logistics & Distribution team is made up of several customer oriented units namely, Supply Chain Management, Order Management and Warehousing. Together, we manage the logistics and distribution of supply to hospitals under the Ministry of Health, other institutions as well as private sector.

In ensuring that we are able to deliver products to customers on time, we manage four main warehouses located strategically in Bukit Raja, Juru, Kota Kinabalu and Kuching. The combined storage capacity for all warehouses is 147,745 sq ft. Regionally, we have presence in Indonesia.

MANUFACTURING

The Manufacturing team manages the operating plants in Bangi, Puchong, Bandar Seri Iskandar, Sg Petani and the Research & Development Unit in Bukit Raja.

Apart from manufacturing our products, we also contract manufacture products for reputable multinational companies. This not only enhances our reputation as a manufacturer who applies Good Manufacturing Practice, but more importantly proves that we have gained the trust from them.

Our
Team

COMMERCIAL

The Commercial sales team is structured into three units, namely Primary Care, Specialty Care and Alpha, each with specific product offerings. This focused sales team strategy has been fundamental in adding value in each customer segment and to growing market shares.

Our Business Development (BD) unit and Medical Equipment Unit (MEU) are also part of the Commercial team. BD taps potential market in our quest to stand the test of global competiveness; while MEU serves as a one-stop solution for the procurement of medical and non-medical equipment, bringing together the specific needs and knowledge of all parties to meet customers' requirements within agreed budget and timeframe.

REGULATORY AFFAIRS & CUSTOMER CARE

The Regulatory Affairs & Customer Care team establishes pharmaceutical regulatory compliance at all levels of our operations. This is realised through a network of highly competent workforce, working together in strategic alliances with the business needs and moving towards improving the understanding of the requirements and developing smoother and better work processes. We also attend to customers' enquiries and complaints.

CORPORATE SERVICES

The Corporate Services team provides a wide spectrum of services for the Pharmaniaga Group (Group) covering Human Capital Management, Corporate Communications, Engineering & Project Management (EPM), as well as functions of Legal, Secretarial, Integrity and Quality & Safety.

Under the Human Capital Management, we take on the challenges to develop our people to the highest competency level, working within an effective and competitive performance monitoring and reward system that will induce innovation, creativity and continuous outstanding performance. In doing so, the human capital management plans are constantly scrutinised to ensure that a synergistic relationship prevails among staff, management and various entities within the Group.

The Corporate Communications department further enhances the efforts to develop the people and the business units through effective communication of Group's aspiration and branding. We also continuously seek media opportunities to reinforce our presence in the market place.

Through its Legal and Secretarial departments, we ensure Group's compliance with all relevant corporate regulatory requirements.

EPM exists to develop and support the implementation of effective maintenance and new engineering projects; whilst the Quality & Safety department gives high priority to protecting the environment and assuring the safety and health of employees, stakeholders and interested parties who come to our premises in the course of business.

The Integrity department is the centre piece of the Group's effort to reduce the risk of prohibited practices such as fraud and corruption. It has been designated to investigate allegations of prohibited practices in the Group activities and related staff misconduct; and create anti-corruption and fraud awareness among staff. With the introduction of the Integrity and Anti-Corruption functions, we position ourselves as the centre of excellence for good governance and a leader in anti-corruption efforts in the industry.

INFORMATION TECHNOLOGY

The Information Technology (IT) team designs, sets up and manages the entire information system requirements of the Group as well as that of its business partners. One of our most challenging tasks was the transformation from manual to computerised procurement, logistics and warehousing operations during the privatisation of the Government Medical Store, way back in 1994. Today, we will continue to invest in research and development to discover new technologies that will help strengthen Pharmaniaga's IT infrastructure to ensure the Group is able to deliver its commitment to being a customer-centric organisation.

PROCUREMENT

The Procurement team enhances procurement process transparency, integrity and efficiency. We formulate procurement policies, provide related procurement advice and ensure policy compliance on all procurement activities for the Group.

A Tender Committee has been set up to enhance coordination and control on procurement of goods and services for all transactions above certain limits. This is to increase efficiency and place assurance on the effectiveness of internal control system in the process of awarding tenders.

FINANCE

The Finance team provides core business services to the Group and its subsidiaries. We are committed to promote excellence, sound financial management, efficient and quality services by enhancing the ability of resources to serve our customers internally and externally.

We are organised into three units, namely Group Finance, Management Accounting and Operating Finance. Our main roles involve managing the funds, collections, payments, asset management, financial reporting, management reporting, costing, strategic planning and budgeting.

We place great emphasis on cost effective services in order to achieve customer satisfaction and provide proactive financial solutions and services to the Group's strategic plan.


pharmaniaga

CORPORATE RESPONSIBILITY

Pharmaniaga's tradition of contributing to society is derived from our firm belief in good corporate governance and responsibility. Pharmaniaga is not merely about doing business, but rather a philosophy of enriching life together, which we will continue to nurture as we journey towards becoming a global total integrated healthcare solutions provider.

CORPORATE RESPONSIBILITY OBJECTIVES

In carrying out our Corporate Responsibility (CR), we are committed to achieving several broad objectives which serve as a measure for the planning of all activities and ensuring that all actions meet expectations of good corporate governance, ethical corporate values and corporate citizenship. We also ensure that our initiatives in this area bring value to society in meaningful and tangible ways, build a corporate culture of social service and responsibility, as well as reinforce our brand position and business relationships.

COMMUNITY ENGAGEMENT

HUMANITARIAN ASSISTANCE

One of our most significant contributions in 2011 was our donation of medicine for immediate relief and aid to Somalia. The medical supply worth RM260,000 benefited the people who suffered from acute malnutrition resulted from consecutive seasons of poor rainfall, conflict, rising inflation and displacement. Another notable donation was made to Viva Palestina Malaysia whose vision and mission are to advocate for a just, equitable, prompt and sustainable resolution of the conflict, leading to the creation of a free and independent state of Palestine. Viva Palestina Malaysia identifies and supports specific medical cases that are presented to the organisation and helps create employment opportunities for the Palestinian people, especially in the Gaza region. We hope to foster friendships between Malaysians and the people of Somalia and Palestine in order to help enhance the interaction and relationship between Malaysia and the two countries. This can also help to enable more understanding among different cultures.

HEALTHCARE OUTREACH

Pharmaniaga through its Skuad Operasi Sihat (SOS) service pledges to continue to serve with commitment and passion in the spirit of "enriching life together." SOS, formed in 2007, is our roving band of volunteers spreading a message of wellness and good health throughout the nation from city to village. SOS is endorsed by the Ministry of Health (MOH) and opens opportunities for:

- the development of human capital through volunteerism
- training by MERCY personnel in areas of medical relief and emergency response
- the Company to partner with MOH in ensuring a healthy Malaysia

The SOS Mobile Clinic performs health screening and also provides resources for education and awareness in rural and marginalised populations about promoting a healthy lifestyle. The mobile clinic is a converted ambulance equipped with basic facilities manned by volunteer doctors and nurses with the assistance of Pharmaniaga volunteers. In 2011, we went on 21 successful missions across the country.

MEDICAL INTERVENTION

Our SOS team, in collaboration with MERCY, travelled up north deep into Hutan Simpan Belum, Perak to bring healthcare to the remote Orang Asli settlement at Pos Kemar. Our CR campaign has gone beyond borders to help the needy. The four day mission, in collaboration with MERCY, comprised a doctor, a dentist, a dental surgery assistant and two nurses. 121 Orang Asli patients received medical and dental treatment. Most of the cases needed minor attention. However, we experienced a few cases that required the doctor to improvise and perform minor surgery with the limited equipment we had with us. Despite other challenges and barriers faced, we did our best, served the community there and helped out with whatever we could.

Our volunteers attended a one day course, "Introduction to First Aid and CPR Training", conducted by the Malaysian Red Crescent Society. More than 100 volunteers were tutored in basic first aid techniques necessary for emergency cases. At the end of the tutorial session, a practical exercise was conducted and concluded with a written test to further enhanced the knowledge tailored during tutorial.

CHARITABLE DONATIONS

We have always been sensitive towards the plight of the less fortunate and the needy. In view of this, we continue to provide financial assistance and in-kind contribution to Non-Governmental Organisations and charitable and welfare organisations. Beneficiaries included senior citizens, the disabled, orphans and the poor.

ENVIRONMENT, SAFETY & HEALTH

INTEGRATED MANAGEMENT SYSTEM

It has been our philosophy and belief that we need to guarantee that all our operations do not compromise safety and the environment. Over the last few years, we have put in place various measures and initiatives to manage and oversee Quality, Environment, Safety & Health (QESH) systems effectively and efficiently. Central to this is the formation of several committees to spearhead quality, environment, safety and health issues to ensure that all statutory guidelines are adhered to. Additionally, the committees are also entrusted with the responsibility to monitor compliance and to maintain and disseminate information on the relevant laws and regulations.

We are in full compliance of QESH requirements and these are tracked through QESH Committee meetings held on a bi-monthly basis. The implementation of the quality assurance systems are tested and verified by the QESH Internal Auditors twice a year. The external auditors from SIRIM QAS conduct their yearly surveillance audit and the reassessment audit every three years. With the basic infrastructure in place, we continue with our commitment towards the QESH cause. Our staff have increased their awareness and appreciate the significance of the impact of business activities on the environment and ultimately our personal health.

PRESERVING THE ENVIRONMENT

We are committed to maintaining a conducive working environment and ensuring environmental conservation. In line with our environmental policy, pollution control activities undertaken included the monitoring of energy and water usage, air emission quality, the management of scheduled waste and monitoring effluent water quality.

HUMAN CAPITAL DEVELOPMENT

We recognise that Human Capital is our greatest asset and have taken steps in terms of improving our human resource services and support. The Human Capital Management plays a vital role as a strategic business partner to assist all other business units in providing assistance in terms of quality employment, training, employee relations and compensation and welfare benefits.

We have 1,361 dedicated employees serving under the Logistics & Distribution Division, while 1,056 people are employed under Manufacturing Division inclusive of Idaman Pharma Manufacturing Sdn Bhd.

Our people are our priority. This statement introduces the Group's people policy and rightly projects our commitment to the continual development of our prized capital: our people. We acknowledge that creating and sustaining a winning culture through an effective and efficient human resource system and practice is a prerequisite towards realising our vision, mission and objectives.

CORE VALUES

We will continue to strengthen our position with our newly established core values of Respect, Integrity, Teamwork and Excellence. They shape our culture and define our character. They reflect how we as an organisation want our team to operate individually and collectively and represent the values we strive to embody on our path towards reaching our vision. They guide how we behave and make decisions and will spearhead our performance in delivering growth for our shareholders and stakeholders.

TRAINING & DEVELOPMENT

In order to stay competitive in today's knowledge based environment where human resources contribute the largest impact towards organisational performance and productivity, we place great emphasis on investing in the continuous learning and development of our employees.

Our talent pool is given wide exposure by the management. Staff participate in seminars and conferences held locally and internationally in order to keep abreast with the latest management and investment best practices.

As part of our strategy moving forward to penetrate and expand the business into the global market, ensuring that employees meet the core competencies will continue to be our main focus in forthcoming years.

We have initiated Training Needs Analysis sessions with all Heads of Department (HODs) to review, discuss and finalise training requirements for departments and employees to ensure that both parties are in-line with organisational goals as well as the new corporate strategies.

Based on programmes highlighted by HODs, the Corporate Agenda Programme was conducted in-house for identified staff covering English Language Skills, Problem Solving and Creative Thinking as well as Enhancing Skills in Customer Service.

HUMAN RESOURCE OUTREACH

Pharmaniaga as a market leader in the pharmaceutical industry is serious about attracting bright students. By keeping track of current market trends, seeking insights on graduate recruitment and advice from top industry professionals, we select the cream of the crop in an increasingly competitive environment.

To be known as an employer of choice, we have geared up our Human Resource outreach and external relations strategy to include roadshows to prospective employees. These include special visits to institutions of higher education and participation in career and education exhibitions, where we share with students the prospects and opportunities in the pharmaceutical business.

The Malaysian Graduate Barometer 2011 voted us as one of Malaysia's most popular recruiters in 2011 at "Malaysia's 100 Leading Graduate Awards 2011." Malaysia's 100 leading graduate employers rankings are determined by votes from students and graduates from public and private Universities and Colleges with more than 12,000 participants in Malaysia and abroad.

INTRODUCTION

The Board of Directors of Pharmaniaga is committed to the Principles of the Malaysian Code on Corporate Governance (Revised 2007) (the Code) and strives to adopt the substance behind the corporate governance prescriptions and not merely in form, in managing its business affairs.

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

The Board is pleased to report to the shareholders on the manner Pharmaniaga has applied the principles and the extent to which it has complied with the best practices as set out in Part 1 and Part 2 of the Code respectively.

BOARD RESPONSIBILITIES

The Board assumed the following six responsibilities, which facilitate the discharge of its stewardship responsibilities:

- Reviewing and adopting a strategic plan for the company;
- Overseeing the conduct of the company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the company; and
- Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Composition of the Board

The Board of Pharmaniaga comprises six Directors. Five Directors are Non-Executive Directors with one Executive Director, who is also the Managing Director. Three of the Directors are Independent Directors. The presence of Independent Directors assures an element of balance to the Board as they provide unbiased and independent views, advice and judgment to all Board deliberations.

This composition is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and fulfilled the requirement of the Code with half of the Board being independent and of which the Company feels is a balanced Board and appropriate to constitute an effective Board.

The Board is cognisant of the required mix of skills, knowledge and business experience given the size and nature of the business of Pharmaniaga. The skill and experience of the members of the Board encompass a diverse professional background of pharmaceutical industry, finance and accountancy, legal and business administration. The profile of each Director is set out on pages 10 to 13 of this Annual Report.

During the year under review, there were four resignations and six appointments to the Board. In June 2011, the Board appointed En Mohd Suffian Haji Haron to be the Senior Independent Non-Executive Director.

Process of Appointment to the Board

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

Roles and Responsibilities

The roles and responsibilities of the Chairman of the Board and the Managing Director are distinct and separated. The Chairman is responsible to ensure the Board's discussions are conducted in such a way that all views are taken into account before decision is made. The Managing Director has the general responsibility for running the business on a day-to-day basis thus ensuring a balance of power and authority so as to provide safeguard against the exercise of unfettered powers in decision making.

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

Statement on Corporate Governance

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

Board meetings

Board meetings are scheduled in advance and during the financial year ended 31 December 2011, there were 11 Board meetings held, with five regular meetings and six Special Board meetings. The details of the respective Director's attendance at the Board Meetings held during the year under review are as follows :

Directors	Status of Directorship	Meetings Attendance
Tan Sri Dato' Lodin Wok Kamaruddin^	Non-Independent Non-Executive Chairman	4/4
Dato' Farshila Emran#	Managing Director	6/7
Daniel Ebinesan#	Non-Independent Non-Executive Director	6/7
Izzat Othman#	Independent Non-Executive Director	7/7
Mohd Suffian Haji Haron^	Senior Independent Non-Executive Director	4/4
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)~	Independent Non-Executive Director	N/A
Datuk Mohamed Azman Yahya*	Non-Independent Non-Executive Chairman	7/7
Datuk Sulaiman Daud*	Senior Independent Non-Executive Director	5/7
Emeritus Prof Dato' Wira Ir Dr Mohammad Noor Haji Salleh*	Independent Non-Executive Director	5/7
Oh Kim Sun*	Independent Non-Executive Director	7/7

Notes:
Appointed on 25 March 2011. The first meeting attended for the year 2011 was 28 March 2011.
^ Appointed on 29 April 2011. The first meeting attended for the year 2011 was 3 May 2011.
* Resigned on 29 April 2011. The last meeting attended for the year 2011 was 12 April 2011.
~ Appointed on 29 December 2011.

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

During the financial year ended 31 December 2011, the Board reviewed and/or approved and considered, amongst other matters, the following:

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

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

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

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

Operation of the Board

The Board has established Board Committees to support its functions and responsibilities. The Board has entrusted specific responsibilities to Board Committees, which operate within clearly defined written terms of references. The Committees deliberate the issues on a broad and in depth basis before putting up any recommendation to the Board.

Board Committees

(a) Audit Committee

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

(b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee convened five meetings in 2011. The members' attendance was as follows :

Members	Meeting Attendance
Mohd Suffian Haji Haron^	1/1
Tan Sri Dato' Lodin Wok Kamaruddin^	1/1
Izzat Othman#	1/1
Datuk Sulaiman Daud*	4/4
Emeritus Prof Dato' Wira Ir Dr Mohammad Noor Haji Salleh*	2/4
Oh Kim Sun*	4/4

* Resigned on 29 April 2011. The last meeting attended for the year 2011 was 28 March 2011

^ Appointed on 29 April 2011. The first meeting attended for the year 2011 was 9 December 2011

Appointed on 25 March 2011. The first meeting attended for the year 2011 was 9 December 2011

The terms of reference of the Nomination and Remuneration Committees are as follows:

Nomination Committee

- To annually examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- To assist the Board in the annual review of the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report.
- To annually carry out the process to be implemented for evaluating the effectiveness of the Board as a whole, the Committees of the Board and the performance and contribution of each individual Director based on the process implemented by the Board and to identify areas for improvement.
- To recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- To ensure that the appointment of any Executive Director or Managing Director shall be for a fixed term not exceeding 3 years at any one time with the power to reappoint, remove or dismiss thereafter.
- To identify and recommend new nominees to the Board of Pharmaniaga Berhad and its subsidiaries and associated companies, whether to be filled by Board members, shareholders or executives. It is also to identify and recommend directorships proposed by the Managing Director, any Director or shareholder to fill the seats on the Audit, Nomination and Remuneration or other Committees.
- To identify and recommend Senior Management position i.e Chief Operating Officer and Chief Financial Officer and its terms and conditions, for the Board's approval.
- To consider the following when recommending candidates for directorship :
  - skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - ability to discharge functions/responsibilities.

Remuneration Committee

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of Executive Director and the Managing Director.

- Advise the Board of the performance of the Managing Director and an assessment of his/her entitlement to performance related pay. The Committee also should advise the Managing Director on the remuneration and terms and conditions of senior management staff holding Grade UT2 and above.

Supply of and Access to Information

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

The Company Secretaries attend all Board meetings and are responsible for ensuring the Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with. In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in their course of duties.

Directors' Training

The Board believes that continuous training for Directors is essential to the Board members to gain insight into the pharmaceutical industry, state of economy, technology advances, regulatory updates and management strategies to enhance the Board's skills and knowledge to enable them to discharge their duties effectively. As such, the Directors are continuously encouraged to attend various training programmes and seminars to ensure that they are kept abreast on various issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in areas of corporate governance and regulatory compliance.

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

	Dates
Assessing the Risk and Control Management	24 March 2011
Directors' Training Workshop: Meeting Bursa's Financial Reporting Timelines	12 April 2011
The New Corporate Governance Blueprint Updates	27 October 2011
Director's Duties & Responsibilities : Duties of Care & Skill and Fiduciary Duties with reference to Group and Nominee Directorships together with Business Judgement with case studies	27 October 2011
Update of the Listing Requirements of the Bursa Malaysia Securities Berhad and the Importance of Conformance to the Capital Market & Securities Laws and Regulations	27 October 2011
Towards Excellence in Corporate Board Governance	27 October 2011
Developing and Implementing Fraud Risk Assurance Map	27 October 2011

Re-appointment and Re-election of Directors

The Articles of Association of Pharmaniaga Berhad provide that all Directors are required to go forward for re-election by shareholders at the Annual General Meeting (AGM) at intervals of no more than three years, together with all new Directors appointed since the previous AGM. The Articles of Association also state that one-third of the Directors retire from office at each AGM and are eligible to offer themselves for re-election.

Retiring Directors may offer themselves for re-election or re-appointment to hold office until the next AGM. Each of these Directors who are due to go forward for re-election or re-appointment at this year's AGM has been identified in the Notice of AGM. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement Accompanying Notice of AGM.

Directors' Remuneration

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

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

Further details of Directors' remuneration are set out below and in Notes 7 and 8 to the Financial Statements on pages 125 -127 of this Annual Report.

Remuneration Package

The remuneration package of the Directors is as follows:

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

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

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

d Benefits-in-kind and other Perquisites
The Chairman is entitled to a car allowance and a driver. The Managing Director is entitled to the provision of leave passage, car allowance, driver, medical (inclusive his/her immediate family members) and dental coverage. The Chairman and other Directors are also entitled to medical and hospitalisation coverage inclusive of outpatient, clinical and specialist treatment and dental (excluding family members).

e Retirement Plan

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

f Service Contract

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

Disclosure on Directors' Remuneration

The details of the remuneration received by each category of Directors for the financial year ended 31 December 2011 are as follows :

Directors	Basic Salaries, Bonus & EPF (RM)	Fees* (RM)	Allowance, Perquisites & other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Director	453,400	-	46,000	5,400	504,800
Non-Executive Directors	-	270,000	95,000	-	365,000
Total	**453,400**	**270,000**	**141,000**	**5,400**	**869,800**

* Directors' fees for financial year ended 31 December 2010 which was paid in 2011.

The remuneration paid to Directors of the Company for the financial year ended 31 December 2011, in bands of RM50,000 are tabulated as follows:

	No. of Directors	
Remuneration Band	**Executive**	**Non-Executive**
RM50,000 and below	-	5
RM50,001 – RM100,000	-	3
RM100,001 – RM150,000	-	1
RM500,001 – RM550,000	1	-

Note: None of the Directors' remuneration falls within the RM150,001 – RM500,000 band.

Statement on Corporate Governance

SHAREHOLDERS

Pharmaniaga is committed in maintaining a constructive relationship with its shareholders, pursuing its on-going commitment to sustain the highest standards of corporate governance practices throughout the Group with full appreciation of its impact on long term corporate performance and optimal shareholder value.

Investor Relations

In this regard, Pharmaniaga has developed and maintained an Investor Relations Policy to ensure a high level of quality and service is achieved when information is provided to investors and stakeholders.

Annual Report

A key channel of communication used to provide its shareholders and investors with information which include its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account developments amongst others in corporate governance practices.

Apart from the mandatory requirement to make public announcements via Bursa Malaysia Securities Berhad (Bursa Malaysia), Pharmaniaga also disseminates information on corporate events and business as well as any significant developments of Pharmaniaga Group.

Further, the timely releases of financial results, in line with Main Market Listing Requirements of Bursa Malaysia provide shareholders with an overview of Pharmaniaga Group's performance and operations.

Besides the key channels of communication through the Annual Report, general meetings and announcements to Bursa Malaysia as well as analyst and media briefings, there is also continuous effort to enhance the Company website at www.pharmaniaga.com.

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

General Meeting

The AGM is the principal avenue for shareholders to communicate and engage in dialogue with the Board and Management of Pharmaniaga. The highlights of the Company's technical and financial performance may be made via visual presentation by the Managing Director at the AGM.

Constructive dialogue between the Board and the shareholders are encouraged whereby at the AGM, shareholders are given the opportunity to raise questions on issues pertaining to the Company's financial and operational performance.

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

ACCOUNTABILITY & AUDIT

Financial Reporting

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

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

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

Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. Pharmaniaga adheres to Bursa Malaysia guidelines for Directors of Public Listed Companies, as guidance for compliance with these requirements.

Information on the Group's Internal Control is presented in the Statement of Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia is set out on pages 69 -76 of this Annual Report.

Relationship with External Auditors

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

It is a policy of the Audit Committee that it meets with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without any Executive Directors and the management present. During the year under review, the Audit Committee held eight meetings out of which two meetings were held with the presence of representatives of the External Auditors, Messrs. PricewaterhouseCoopers, at which private sessions independent of the management, were held.

OTHER COMPLIANCE INFORMATION

Related Party Transactions

Pharmaniaga has in place a procedure to ensure the Company meets its obligations under the Main Market Listing Requirements of Bursa Malaysia relating to related party transactions.

A list of related parties within Pharmaniaga Group is disseminated to the various business units to determine the number and type of related party transactions. All related party transactions are presented to the Audit Committee for their review and monitoring on a quarterly basis. The report and the list of the related parties of Pharmaniaga Group for year under review are then escalated to the Board for their notation.

A list of significant related party transactions is set out in Note 35 to the Financial Statements on page 164 of this Annual Report.

Non-Audit Fees

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2011		
Company	**47**	**47**
Others	**312**	**–**
	359	**47**

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

Sanctions and/or Penalties

The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2011.

STATEMENT OF COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE CODE

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

The Board considers that it has complied throughout the financial year with Best Practices as set out in the Code, except for disclosure on Directors' remuneration that complies with Appendix 9C Part A (11) (a) and (b) Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia.

This Statement on Corporate Governance has been approved by the Board of Pharmaniaga on 2 March 2012.

BOARD RESPONSIBILITY

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Pharmaniaga Group's (Group) system of internal controls. However, such a system is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

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

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

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

Statement on Internal Control

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

Structural

Audit Committee

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

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

Risk Management Committee

The Board, through the Risk Management Committee (RMC) maintains risk oversight with the Group. The RMC comprised of the management team and is assisted by the Risk Management Work Group Committee (RMWGC) whose role is to identify, mitigate and manage risks within their businesses. The Group Finance unit provides support to the RMWGC whose primary role is issuing risk reports, maintaining appropriate risk policy and standards and providing co-ordination of Group wide risk management activity.

Group Internal Audit

The Group Internal Auditors from Boustead Holdings Berhad principal responsibility is to evaluate and improve the effectiveness of the risk management, control and governance processes. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes based on the review plan that is approved by the Audit Committee annually. Group Internal Audit adopts a risk-based methodology in planning and conducting audits by focusing on key risk areas.

The terms of reference for Group Internal Audit are clearly spelt out in the Group Internal Audit Charter approved by the Audit Committee on 10 August 2011. Group Internal Audit operates and performs in accordance to the principles of the Charter, reports directly to the Audit Committee and is independent of the activities it audits.

RISK MANAGEMENT

The Board views risk management as the logical process in the pursuit of its corporate governance agenda and the realisation of its long term corporate objectives to protect shareholders' investment and safeguard the Group's assets.

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

The Group Risk Management Framework has the following key attributes:

- Risk Governance and Strategy

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

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

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

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

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

- Risk Reporting

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

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

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

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

Statement on Internal Control

ORGANISATION STRUCTURE AND VALUES

Operating Structure with clearly defined lines of responsibility and delegated authority

During the year under review, the new management team, appointed on 1 April 2011, restructured the Group into eight divisions with each division given clear responsibilities in terms of achieving the Group's objectives. Notably, the following divisions or units have been established to strengthen the Group's internal control framework:-

- Procurement

  The Procurement Division was established on 1 April 2011 and entrusted with both profit and cost centre responsibilities for price and contract negotiations for products and services. The new division has formulated a set of Standard Procurement Policies and Procedures that are extended throughout the Group. The team envisions imbedding best procurement practices adapted from the Red Book concept of the GLC Transformation Programme that emphasises minimising cost, ensuring competitive cycle times, eradicating leakages, enhancing transparency and developing an extensive suppliers base.

- Regulatory Affairs

  The Regulatory Affairs Division was set up on 1 April 2011 to establish compliance at all levels of the Company's operations and to ensure the Group operates in accordance with relevant legislation through networking a highly competent workforce in strategic alliance with business needs, improving the understanding of the rules and requirements, and developing streamlined and fluent work processes. Ensuring strict compliance to Government regulations is of profound importance to the Group and this division will continue to monitor and refine the protocols and systems to ensure total conformity to legislation.

- Integrity

  The independent Integrity Department was established on 1 January 2012 to endorse professional ethics in the Group's working culture and to protect the interest and welfare of the stakeholders. The Group will strive to prevent and avoid any occurrence of corruption, fraud, conflict of interest, breach of fiduciary duties, and other commercial crimes in our principal affairs. All concerns raised via the whistle-blowing channels will be treated fairly and properly. Evidence gathered in the investigation will be perused thoroughly. Disciplinary and where necessary, legal action will be taken against employees for any criminal and civil wrong committed against the Group.

Written policies and procedures on the limits of delegated authority

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

Clearly documented standard operating procedures manuals

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

Strategic Business Planning, Budgeting and Reporting

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

Based on strategies identified, the Annual Operating and Three-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 1 November 2011. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised based on changes in the business and operating environments. Inputs from the Board Strategic Planning Sessions are used to develop the Annual Operating and Three–Year Business Plan.

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

Regular Monthly Reporting

Operational review meetings are conducted on a monthly basis to review and monitor matters pertaining to the business operations. The review is based on performance reports that provide comprehensive information on financial performance and other key non-financial indicators.

Performance Management

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

- Financial (F)
- Customer (C)
- Internal Business Process (I)
- Organisational Learning & Growth (O)

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

Statement on Internal Control

Human Resources Policies and Procedures

The Group has made an effort to realign its Human Resource policies and procedures covering the hiring, development, promotion, annual performance appraisal and termination of staff.

Emphasis is placed on the talent and competencies of employees through the recruitment strategy and continuous training and development. Recruitment and promotion guidelines within the Group have been established to ensure people of the appropriate calibre are selected to fill positions available. Succession planning is also reviewed annually to ensure continuity at all pivotal positions. Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities toward achieving the Group's objectives.

Code of Conduct

A staff handbook containing the human resource policies and code of conduct is available to all employees either in bound copies or on the intranet. All employees are required to renew their declaration of non-conflict of interest every year. Induction programmes are conducted for all new employees to ensure that they are immediately made aware of the accepted code of ethical conduct and employee obligations and responsibilities under the Safety & Health policies.

Whistle-blowing

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

Tender Award System

A Tender Committee (Committee) has been set up to enhance co-ordination and control on procurement of goods and services for projects. The Committee serves to increase efficiency and ensures the effectiveness of the system of internal controls embedded in the process of awarding tenders.

Insurance

Adequate insurance of major assets, buildings and machineries in all operating divisions and subsidiary companies is in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group and/or its subsidiary companies.

MONITORING AND REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

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

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

CONCLUSIONS

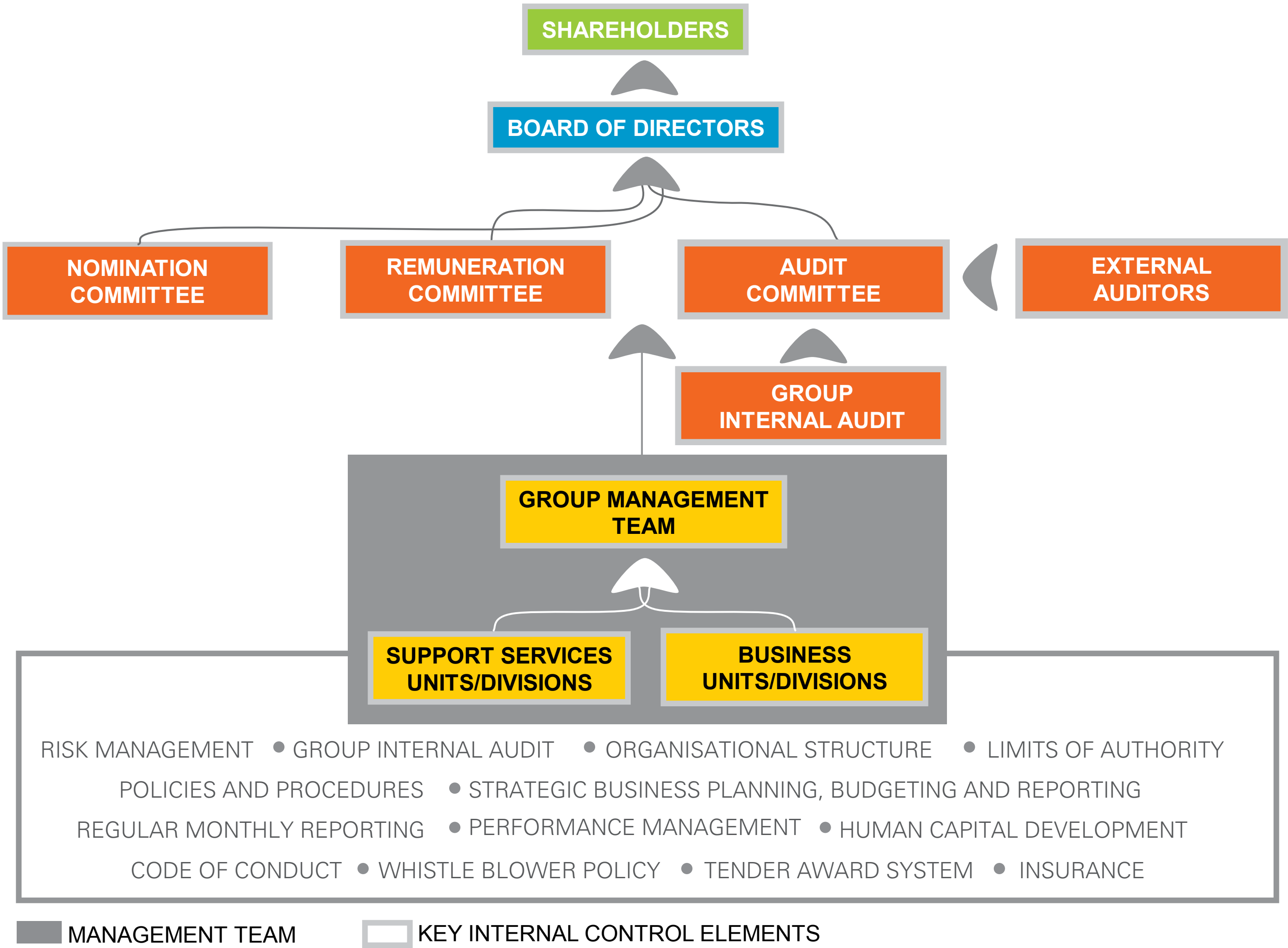
For the financial year under review, based on inquiry, information and assurances provided, the Board is satisfied that the system of internal control was generally satisfactorily. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This statement is made in accordance with the resolution of the Board of Directors dated 2 March 2012.

INTERNAL CONTROL FRAMEWORK OF PHARMANIAGA GROUP



The Group's internal control framework shown above signifies the accountability and reporting relationship between the Shareholders, the Board, the Audit Committee, Auditors and Management

Audit Committee Report

The Board of Directors of Pharmaniaga Berhad is pleased to present the report of the Audit Committee for the financial year 2011.

MEMBERSHIPS AND MEETINGS

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

Name of Director	Status of Directorship	Independent	Meetings Attended
Oh Kim Sun (Resigned on 29 April 2011)	Non-Executive Director Chairman of the Committee	Yes	4/4
Datuk Sulaiman Daud (Resigned on 29 April 2011)	Non-Executive Director	Yes	4/4
Emeritus Prof Dato' Wira Ir Dr Mohammad Noor Haji Salleh (Resigned on 29 April 2011)	Non-Executive Director	Yes	3/4
Mohd Suffian Haji Haron (Appointed on 3 May 2011)	Non-Executive Director Chairman of the Committee	Yes	4/4
Izzat Othman (Appointed on 3 May 2011)	Non-Executive Director	Yes	4/4
Daniel Ebinesan (Appointed on 3 May 2011)	Non-Executive Director	No	4/4

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

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its Terms of Reference. The Terms of Reference of the Audit Committee are contained in the Audit Committee Charter revised by the Board on 10 August 2011.

Audit Committee Report

Membership

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

Key Functions and Responsibilities

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

i) To review with the external auditors, the audit plan, the scope of audit and their audit report.

ii) To review the evaluation of the system of internal control with the internal and external auditors.

iii) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

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

v) To review the quarterly results and the year end financial statements of the Group prior to approval by the Board of Directors, focusing particularly on changes in or implementation of major accounting policies; significant and unusual events; and compliance with accounting standards and other regulatory requirements.

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

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

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

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

x) To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.

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

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

xiii) To monitor the Group's compliance to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and the Malaysian Code of Corporate Governance (Revised 2007) from assurances by the Company Secretary and the results of review by the external and internal audits.

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

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

SUMMARY OF ACTIVITIES

During the financial year 2011, the Audit Committee carried out its duties in accordance with its terms of reference.

Financial Reporting

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group including announcements, before recommending them for approval by the Board of Directors.
- Reviewed the annual audited financial statements of the Company and the Group with the external auditors prior to submission to the Board of Directors for approval.

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

- provisions of the Companies Act, 1965;
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable approved accounting standards in Malaysia; and
- other relevant legal and regulatory requirements.

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

Internal Audit

- Reviewed and approved Group Internal Audit's (GIA) Annual Audit Plan to ensure adequate scope and comprehensiveness of the activities and coverage on auditable entities with significant high risks.
- Reviewed the internal audit reports issued by GIA and thereafter discussed the management's actions taken to improve the system of internal control and any outstanding matters.
- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised. Monitored the corrective actions on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

External Audit

- Reviewed with the external auditors:
  - their audit plan and scope of work for the year
  - the results of the annual audit, their audit report and Management Letter together with Management's response to the findings of the external auditors.
- Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for adhoc non-audit services. The Committee also received reports from the external auditors on their own policies regarding independence and the measures taken to control the quality of their work.

Related Party Transactions

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

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

Annual Reporting

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

Risk Management

- One meeting was held with the Risk Management Committee whereby the Audit Committee reviewed the overall risk profile of the Group's risk, the significant risks and provided guidance on the action plans to address the identified risks and further reported to the Board thereon.

INTERNAL AUDIT FUNCTION

The internal audit function of Pharmaniaga Group is carried out by the Group Internal Audit of Boustead Holdings Berhad. GIA provides independent, objective assurance on the areas of operations reviewed, and advise on best practices that will improve and add value to Pharmaniaga Group. GIA adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas.

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

The total cost incurred by GIA for the internal audit of Pharmaniaga Group in respect of the financial year ended 31 December 2011 amounted to RM127,710.

Statement of Directors' Responsibility For Preparation of Financial Statements

The financial statements of the Group and Company have been drawn up in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2011 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have :

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

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

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

FINANCIAL STATEMENTS

The Directors are pleased to present their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	52,785	11,195
Attributable to:		
Owners of the parent	52,157	11,195
Non-controlling interest	628	-
	52,785	11,195

DIVIDENDS

The Directors have declared the following dividends in respect of the financial year ended 31 December 2011:

	Net Dividend Sen per share	Net Dividend RM '000	Payment Date
First interim dividend, net of 25% tax	6.8	7,221	26 January 2012
Second interim single tier dividend	21.0	24,712	28 March 2012
	27.8	31,933	

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2011.

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

There were no shares or debentures issued during the financial year.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 36 to the financial statements.

DIRECTORS

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

Tan Sri Dato' Lodin Wok Kamaruddin	(Appointed on 29 April 2011)
Dato' Farshila Emran	(Appointed on 25 March 2011)
Daniel Ebinesan	(Appointed on 25 March 2011)
Izzat Othman	(Appointed on 25 March 2011)
Mohd Suffian Haji Haron	(Appointed on 29 April 2011)
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	(Appointed on 29 December 2011)
Datuk Mohamed Azman Yahya	(Resigned on 29 April 2011)
Datuk Sulaiman Daud	(Resigned on 29 April 2011)
Emeritus Prof Dato' Wira Ir Dr Mohammad Noor Haji Salleh	(Resigned on 29 April 2011)
Oh Kim Sun	(Resigned on 29 April 2011)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate emoluments received or due and receivable by the Director as shown in Notes 7 and 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At date of appointment	**Acquired**	**Sold**	**At 31.12.2011**
The Company				
Direct interest				
Tan Sri Dato' Lodin Wok Kamaruddin*	-	3,184,538	-	3,184,538
Dato' Farshila Emran**	-	200,000	-	200,000
Daniel Ebinesan***	-	158,468	-	158,468
Mohd Suffian Haji Haron**	-	50,000	-	50,000
Izzat Othman **	-	50,000	-	50,000

* 452,373 shares arising from dividend in specie of the immediate holding company, Boustead Holdings Berhad, 1,083,814 shares arising from subscription of entitlement of Restricted Offer and 1,648,351 shares arising from part of shares acquired under the Divestment 2 of the immediate holding company.

** Shares acquired under the Divestment 2 of the immediate holding company.

*** 2,493 shares arising from dividend in specie of the immediate holding company, Boustead Holdings Berhad, 5,975 shares arising from subscription of entitlement of Restricted Offer and 150,000 shares arising from part of shares acquired under the Divestment 2 of the immediate holding company.

	Number of ordinary shares of RM0.50 each			
	At date of appointment	**Acquired**	**Sold**	**At 31.12.2011**
Immediate Holding Company				
Boustead Holdings Berhad				
Tan Sri Dato' Lodin Wok Kamaruddin	26,122,599	-	(111,000)	26,011,599
Daniel Ebinesan	168,400	-	(25,000)	143,400

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of RM1.00 each			
	At date of appointment	Acquired	Sold	At 31.12.2011
Related corporations				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Lodin Wok Kamaruddin	2,000,000	-	-	2,000,000
Daniel Ebinesan	20	-	-	20
Mohd Suffian Haji Haron	-	10,000	-	10,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin Wok Kamaruddin	5,916,465	-	-	5,916,465
Affin Holdings Berhad				
Tan Sri Dato' Lodin Wok Kamaruddin	808,714	-	-	808,714
Daniel Ebinesan	27,000	-	-	27,000
Al-Hadharah Boustead REIT				
Tan Sri Dato' Lodin Wok Kamaruddin	250,000	-	-	250,000
Daniel Ebinesan	150,000	-	-	150,000

	Number of redeemable preference shares of RM1.00 each			
	At date of appointment	Acquired	Sold	At 31.12.2011
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin Wok Kamaruddin	50	-	-	50

Other than as disclosed above, according to the register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interests in shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

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

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

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

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

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

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

CONTINGENT AND OTHER LIABILITIES

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or 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 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 Company which has arisen since the end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

CHANGING CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and 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 Company for the year in which this report is made.

HOLDING CORPORATIONS

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

In the previous financial year, the immediate and ultimate holding companies of the Company were UEM Group Berhad and Khazanah Nasional Berhad respectively, both of which are incorporated in Malaysia.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 2 March 2012.

TAN SRI DATO' LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

Statement by Directors Pursuant to
Section 169(15) Of The Companies Act, 1965

We, Tan Sri Dato' Lodin Wok Kamaruddin and Dato' Farshila Emran, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 92 to 176 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2011 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with a resolution dated 2 March 2012.

TAN SRI DATO' LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

Statutory Declaration Pursuant to
Section 169(16) Of The Companies Act, 1965

I, Faizatul Akmar Abu Bakar, 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 92 to 176 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

FAIZATUL AKMAR ABU BAKAR

Subscribed and solemnly declared by the abovenamed Faizatul Akmar Abu Bakar at Kuala Lumpur on 2 March 2012, before me.

ZAINALABIDIN BIN NAN
Commissioner For Oaths
Kuala Lumpur

Independent Auditors' Report

to the Members of Pharmaniaga Berhad (Incorporated in Malaysia) (Company No. 467709M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pharmaniaga Berhad on pages 92 to 175 which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 39.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which have acted as auditors have been properly kept in accordance with the provisions of the Act.
(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 176 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/12 (J))
Chartered Accountant

Kuala Lumpur
2 March 2012

Income Statements
for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	4	**1,520,981**	1,378,348	**18,623**	44,925
Cost of sales	5	**(1,293,813)**	(1,179,591)	**-**	-
Gross profit		**227,168**	198,757	**18,623**	44,925
Other income		**2,060**	3,151	**2,978**	-
Operating expenses		**(152,489)**	(152,296)	**(12,099)**	(31,725)
Finance costs	6	**(4,164)**	(4,043)	**(23)**	(946)
Interest income		**948**	1,028	**-**	806
Share of results from associated company		**(337)**	(1,135)	**-**	-
Profit before zakat and taxation	7	**73,186**	45,462	**9,479**	13,060
Zakat		**(300)**	(1,962)	**-**	-
Taxation	9	**(20,101)**	(13,190)	**1,716**	-
Net profit for the financial year		**52,785**	30,310	**11,195**	13,060
Attributable to:					
Owners of the parent		**52,157**	30,384	**11,195**	13,060
Non-controlling interest		**628**	(74)	**-**	-
Net profit for the financial year		**52,785**	30,310	**11,195**	13,060
Earnings per share (sen):					
- basic	10	**44.32**	25.82		

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

Statements of Comprehensive Income

for the year ended 31 December 2011

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Net profit for the financial year	**52,785**	30,310	**11,195**	13,060
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operation	**270**	(1,464)	**-**	-
Total comprehensive income, net of tax for the financial year	**53,055**	28,846	**11,195**	13,060
Attributable to:				
Owners of the parent	**54,324**	28,920	**11,195**	13,060
Non-controlling interest	**(1,269)**	(74)	**-**	-
	53,055	28,846	**11,195**	13,060

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

Statements of Financial Position

as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**346,340**	276,976	**-**	-
Prepaid lease payments	13	**2,867**	2,950	**-**	-
Investments in subsidiary companies	14	**-**	-	**285,176**	185,823
Investments in associated companies	15	**19**	5,427	**19**	1,970
Intangible assets	16	**102,186**	28,820	**-**	-
Deferred tax assets	29	**12,307**	10,945	**-**	-
		463,719	325,118	**285,195**	187,793
Current assets					
Inventories	17	**384,614**	230,013	**-**	-
Trade receivables	18	**203,584**	123,462	**-**	-
Other receivables	19	**17,988**	14,006	**153**	136
Amounts due from subsidiary companies	20	**-**	-	**216,819**	140,240
Dividend receivable		**-**	-	**10,500**	-
Tax recoverable		**8,495**	6,304	**3,500**	-
Deposits, cash and bank balances	22	**55,075**	102,977	**360**	836
		669,756	476,762	**231,332**	141,212
TOTAL ASSETS		**1,133,475**	801,880	**516,527**	329,005

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**106,978**	106,978	**106,978**	106,978
Share premium		**22,447**	22,447	**22,447**	22,447
Exchange reserves		**(1,988)**	(3,885)	**-**	-
Retained earnings	28	**341,510**	296,304	**40,676**	36,702
		468,947	421,844	**170,101**	166,127
Non-controlling interest		**14,360**	15,629	**-**	-
Total equity		**483,307**	437,473	**170,101**	166,127
Non-current liabilities					
Loans and borrowings	26	**102**	59	**-**	-
Deferred tax liabilities	29	**5,051**	1,530	**-**	-
Provision for defined benefit plan	30	**3,863**	3,175	**-**	-
		9,016	4,764	**-**	-
Current liabilities					
Trade payables	23	**340,834**	300,496	**-**	-
Other payables	24	**96,507**	24,652	**50,445**	700
Amount due to immediate holding company	25	**223**	-	**223**	-
Amounts due to subsidiary companies	20	**-**	-	**238,480**	162,178
Amounts due to related companies	21	**3,307**	-	**57**	-
Current tax liabilities		**4,842**	1,428	**-**	-
Loans and borrowings	26	**188,218**	33,067	**50,000**	-
Dividend payable		**7,221**	-	**7,221**	-
		641,152	359,643	**346,426**	162,878
Total liabilities		**650,168**	364,407	**346,426**	162,878
TOTAL EQUITY AND LIABILITIES		**1,133,475**	801,880	**516,527**	329,005

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

Statement of Changes in Equity
for the year ended 31 December 2011

	Note	Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group								
At 1 January 2011		**106,978**	**22,447**	**(3,885)**	**296,304**	**421,844**	**15,629**	**437,473**
Total comprehensive income for the financial year		**-**	**-**	**1,897**	**52,427**	**54,324**	**(1,269)**	**53,055**
Dividends	11	**-**	**-**	**-**	**(7,221)**	**(7,221)**	**-**	**(7,221)**
At 31 December 2011		**106,978**	**22,447**	**(1,988)**	**341,510**	**468,947**	**14,360**	**483,307**
At 1 January 2010		106,978	22,447	(2,421)	303,629	430,633	15,703	446,336
Total comprehensive (expense)/ income for the financial year		-	-	(1,464)	30,384	28,920	(74)	28,846
Dividends	11	-	-	-	(37,709)	(37,709)	-	(37,709)
At 31 December 2010		106,978	22,447	(3,885)	296,304	421,844	15,629	437,473

	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Company					
At 1 January 2011		**106,978**	**22,447**	**36,702**	**166,127**
Total comprehensive income for the financial year		**-**	**-**	**11,195**	**11,195**
Dividends	11	**-**	**-**	**(7,221)**	**(7,221)**
At 31 December 2011		**106,978**	**22,447**	**40,676**	**170,101**
At 1 January 2010		106,978	22,447	61,351	190,776
Total comprehensive income for the financial year		-	-	13,060	13,060
Dividends	11	-	-	(37,709)	(37,709)
At 31 December 2010		106,978	22,447	36,702	166,127

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

Statements of Cash Flows
for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**1,536,468**	1,381,097	**-**	-
Cash payments to suppliers and employees		**(1,574,917)**	(1,280,034)	**(10,684)**	(12,325)
Advances from subsidiary companies		**-**	-	**63,438**	47,768
Cash (used in)/generated from operations		**(38,449)**	101,063	**52,754**	35,443
Interest paid		**(4,152)**	(3,834)	**-**	-
Tax (paid)/refunded		**(23,450)**	(24,121)	**1,716**	-
Interest received		**950**	1,027	**-**	-
Net cash (used in)/generated from operating activities		**(65,101)**	74,135	**54,470**	35,443
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary (net of cash acquired)	14	**(94,380)**	-	**(109,863)**	-
Proceeds from disposal of property, plant and equipment		**269**	180	**-**	-
Proceeds from disposal of non-current assets held for sale		**-**	1,000	**-**	-
Proceeds from disposal of an associated company		**4,928**	-	**4,928**	-
Purchase of property, plant and equipment		**(30,492)**	(7,420)	**-**	-
Purchase of intangible assets		**(12,108)**	-	**-**	-
Dividend received		**-**	-	**-**	39,000
Net cash (used in)/generated from investing activities		**(131,783)**	(6,240)	**(104,935)**	39,000

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**-**	(37,709)	**-**	(37,709)
Redemption of Commercial Papers and Medium Term Notes		**-**	(29,000)	**-**	(29,000)
Drawdown of short term borrowings		**169,134**	6,665	**50,000**	-
Repayments of term loan		**(20,068)**	(8,550)	**-**	(8,550)
Term loan interest paid		**(28)**	(140)	**(11)**	(140)
Profit on Commercial Papers and Medium Terms paid		**-**	(916)	**-**	(916)
Net cash generated from/(used in) financing activities		**149,038**	(69,650)	**49,989**	(76,315)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(47,846)**	(1,755)	**(476)**	(1,872)
Foreign exchange differences		**(56)**	324	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**102,977**	104,408	**836**	2,708
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	22	**55,075**	102,977	**360**	836

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

1 GENERAL INFORMATION

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

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

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

Registered office:

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

Principal place of business:

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

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

In the previous financial year, the immediate and ultimate holding companies of the Company were UEM Group Berhad and Khazanah Nasional Berhad respectively, both of which are incorporated in Malaysia.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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

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

(i) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendment to FRS 2 "Share-based payment - Group cash-settled share-based payment transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures - Improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are effective (continued)

- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 12 "Service concession arrangements"
- IC Interpretation 17 "Distribution of non-cash assets to owners"
- IC Interpretation 18 "Transfers of assets from customers"
- Improvements to FRSs (2010)

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

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

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

(a) Financial year beginning on/after 1 January 2012

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(a) Financial year beginning on/after 1 January 2012 (continued)

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

- Amendments to IC Interpretation 14 "MFRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

(b) Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(b) Financial year beginning on/after 1 January 2013 (continued)

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(b) Financial year beginning on/after 1 January 2013 (continued)

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 1 "First time adoption of fixed dates and hyperinflation" (effective from 1 July 2011) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with "the date of transition to MFRSs", thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to secure hyperinflation.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(b) Financial year beginning on/after 1 January 2013 (continued)

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

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

(b) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including special purpose entities) in which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity in assessing whether potential voting rights contribute to control; the Group examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential voting rights.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associated companies

Associated companies are all entities in which the Group has significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies. Investments in associated companies are accounted for using the equity method accounting and are initially recognised at cost. The Group's investment in associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group's interest is reduced to nil and does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(iii) Associated companies (continued)

Unrealised gains on transactions between the economic entities of the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director of the Company, who is the Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

(d) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

When a foreign operation is partially disposed off or sold, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the statement of financial position.

(e) Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment except for freehold land and capital work-in-progress which are not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

The annual depreciation rates used are as follows:

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

The assets' residual values and useful lives 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 included in profit or loss for the financial year in which the changes arise.

At each reporting date, the Group assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying value of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

(f) Prepaid lease payments

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

The prepaid lease payments are amortised on a straight-line basis over the lease terms in accordance with the pattern of benefits provided.

Prepaid lease payments are amortised over the lease period of the respective leases ranging from 30 to 99 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments

Investments in subsidiary and associated companies are shown at cost less accumulated impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiary and associated companies over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of subsidiary companies is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations are made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to the operating segment. See accounting policy Note 2(j) on impairment of non-financial assets.

(ii) Project development expenditure

All expenses relating to the development of the pharmaceutical business under concession is capitalised and amortised over the previous concession period of 15 years, which is the number of years that the benefit is expected to be derived out of the project, unless the Directors consider that a continuing benefit will not accrue.

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

(iii) Brand

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

(iv) Software

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

(v) Rights to supply

Expenses incurred to acquire the rights under the Concession Agreement to supply pharmaceutical products are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The rights are amortised over the concession period of 10 years.

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

(i) Research and development

Research expenditure is recognised as an expense when incurred. Cost incurred on development projects are recognised as development assets to the extent that such expenditure is expected to generate future economic benefits and only if the cost can be measured reliably.

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 a subsequent period. Capitalised development costs are amortised on a systematic basis over their expected useful lives.

(j) Impairment of non-financial assets

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

The impairment is charged to income statement. Impairment of goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods are determined using the weighted average method whilst costs of work-in-progress and raw materials are determined using the first-in, first-out (FIFO) method.

Cost includes the actual cost of materials and incidental cost incurred in bringing the inventories to store. As for in-house manufactured finished goods and work-in-progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and applicable variable selling expenses.

(l) Trade receivables

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

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

(m) Cash and cash equivalents

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

(n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share capital (continued)

(iii) Dividends

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

(iv) Purchase of own shares

Where any Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs net of tax, is deducted from capital and reserves attributable to owners of the Company as treasury shares until they are cancelled, reissued or disposed of.

Where such shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares as shown as a movement in equity. Where the consideration received is more than the carrying amount, the credit difference is taken to the share premium account. Where the consideration on received is less than the carrying amount, the debit difference is offset against reserves.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying assets.

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

(p) Trade payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

The Group's contributions to defined contribution plans, the national defined contribution plan, the Employees' Provident Fund are charged to the income statement 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

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

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at the reporting date on government securities that have maturity dates approximating the terms of the related liability.

Actuarial gains and losses arise mainly from the changes in actuarial assumptions and experience adjustments. Such gains and losses are credited or charged to the profit or loss over the expected average remaining working lives of the employees participating in the plan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

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

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

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

(s) Revenue recognition

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

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

(i) Sale of goods and services

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

(ii) Contracts

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

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

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

(iii) Interest income

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

(iv) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 laws) that have been enacted or substantially enacted by the reporting date 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(u) Financial assets

<u>Classification</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial assets (continued)

Loans and receivables

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

Recognition and measurement

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

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

(v) Offsetting financial instruments

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

(w) Impairment of financial assets

Assets carried at amortised cost

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Zakat

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

Zakat rates enacted or substantively enacted by the reporting date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2011 is 2.5% of the zakat base. The zakat base of the Group is determined based on the profit after tax of eligible companies within the Group after deducting certain non operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

(y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

(z) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measure 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

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

For the purposes of the value-in-use calculations in respect of the goodwill, the Group has taken into account the potential economic benefits of contracts to be awarded by the Government. The Group is still negotiating for some of these contracts. The goodwill referred to has been allocated to the cash generating unit relating to medical products and services. The Board of Directors believe that it is reasonable to assume that the Company will be successful in being awarded some of these contracts. Refer to Note 16 on the impairment assessment of goodwill.

Impairment of property, plant and equipment

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

Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Impairment assessment made during the financial year relates to a small volume injectable production plant of a loss-making subsidiary with carrying amount of RM78,007,000 as at 31 December 2011. The key assumptions used for the value-in-use calculations are based on management's estimates of future cash flows based on a growth rate of 6.6% and 17% for local and European market respectively and at a pre-tax discount rate of 10.0%.

Based on the assessment, the recoverable amount of RM92,513,000 exceeded the carrying amount of the small volume injectables production plant by RM14,506,000. Accordingly, there is no impairment on the small volume injectable production plant.

Any reasonable change in the key assumptions used will not result in an impairment loss, other than if management is unsuccessful in achieving the projected revenue from the European market, in which case there will be an impairment to the small volume injectable production plant.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Deferred tax assets

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

4 REVENUE

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Revenue consists of:				
Sale of goods	**1,515,189**	1,372,867	**-**	-
Contracts	**5,792**	5,306	**-**	-
Rendering of services	**-**	175	**-**	-
Management fees	**-**	-	**4,623**	5,925
Dividend income	**-**	-	**14,000**	39,000
	1,520,981	1,378,348	**18,623**	44,925

5 COST OF SALES

	Group 2011 RM'000	Group 2010 RM'000
Cost of sales consists of:		
Cost of inventories sold	**1,289,606**	1,175,547
Contracts costs	**4,207**	4,044
	1,293,813	1,179,591

Included in cost of sales are amounts relating to:

	Group 2011 RM'000	Group 2010 RM'000
Depreciation of property, plant and equipment	**12,184**	7,563
Amortisation of intangible assets	**371**	-
Amortisation of prepaid lease payments	**11**	11

6 FINANCE COSTS

	Group		Company	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Interest expense on term loan	**3,881**	3,952	**23**	140
Interest expense on bankers' acceptances	**283**	91	**-**	-
Profit on Commercial Papers	**-**	-	**-**	272
Profit on Medium Term Notes	**-**	-	**-**	534
	4,164	4,043	**23**	946

7 PROFIT BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs and share of results from associated company) have been charged in arriving at profit before zakat and taxation:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Auditors' remuneration				
- statutory				
- current	**317**	278	**81**	75
- under accrual in prior year	**13**	-	**13**	-
- others	**359**	92	**47**	-
Amortisation of intangible assets	**637**	-	**-**	-
Property, plant and equipment				
- depreciation	**9,200**	6,517	**-**	-
- written-off	**5**	21	**-**	-
Amortisation of prepaid lease payments	**72**	72	**-**	-
Directors' fees	**303**	342	**279**	270
Impairment loss on investment in a subsidiary company	**-**	-	**378**	-
Loss on disposal of an associated company	**144**	-	**-**	-
Provision for impairment of:				
- trade receivables	**415**	543	**-**	-
- other receivables	**-**	2,010	**-**	-
- amounts due from subsidiary companies	**-**	-	**-**	24,131
Write back of provision for impairment of trade receivables	**-**	(90)	**-**	-
Provision for impairment of slow moving and obsolete inventories	**13,810**	27,144	**-**	-
Rental of premises	**3,302**	2,288	**3**	2
Rental of equipment	**1,934**	706	**63**	95
Research and development expenses	**1,301**	73	**-**	-
Employee benefit expenses (Note 8)	**54,018**	51,416	**6,280**	4,992
Maintenance and upkeep	**18,115**	18,579	**40**	62
Office expenses	**7,800**	6,265	**343**	322
Insurance and road tax	**914**	733	**18**	57
Professional fees	**2,510**	5,360	**1,520**	715
Transportation costs	**14,445**	12,809	**-**	-
Travelling expenses	**4,861**	3,926	**846**	372
Marketing and promotion expenses	**11,333**	7,194	**1,216**	539
Others	**6,681**	6,018	**972**	93
	152,489	152,296	**12,099**	31,725

7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

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

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Gain on disposal of property, plant and equipment	**254**	72	**-**	-
Foreign exchange gains	**728**	526	**-**	-
Utilisation of government grants	**122**	1,809	**-**	-
Rental income	**16**	13	**-**	-
Gain on disposal of an associated company	**-**	-	**2,978**	-
Recovery of bad debts	**876**	-	**-**	-
Sundry income	**-**	505	**-**	-
Others	**64**	226	**-**	-
	2,060	3,151	**2,978**	-

8 EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Salaries and bonuses	**37,912**	38,116	**4,327**	3,330
Defined contribution plan	**5,291**	4,517	**582**	347
Defined benefit plan (Note 30)	**748**	862	**-**	-
Short term employee benefits	**9,473**	7,362	**777**	756
	53,424	50,857	**5,686**	4,433
Directors' remuneration:				
Salaries and bonuses	**400**	391	**400**	391
Defined contribution plan	**53**	47	**53**	47
Short term employee benefits	**141**	121	**141**	121
	594	559	**594**	559
	54,018	51,416	**6,280**	4,992

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The number of employees of the Group and Company at the end of the financial year is 1,845 and 44 (2010: 1,814 and 34) respectively.

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM5,400 (2010: RM5,400).

9 TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Current tax:				
- Malaysian income tax	**22,850**	19,914	**-**	-
- foreign income tax	**655**	1,908	**-**	-
- (over)/under accrual in prior years	**(1,229)**	10	**(1,716)**	-
	22,276	21,832	**(1,716)**	-
Deferred taxation (Note 29):				
- origination and reversal of temporary differences	**(1,387)**	(6,046)	**-**	-
- over accrual in prior years	**(788)**	(2,596)	**-**	-
	(2,175)	(8,642)	**-**	-
Tax expense/(credit)	**20,101**	13,190	**(1,716)**	-

9 TAXATION (CONTINUED)

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

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Profit before zakat and taxation	**73,186**	45,462	**9,479**	13,060
Income tax at rate of 25% (2010: 25%)	**18,297**	11,366	**2,370**	3,265
Tax effects of:				
Expenses not deductible for tax purposes	**2,677**	4,752	**832**	9,595
Income not subject to tax	**-**	(386)	**(4,245)**	(12,860)
Effect of different tax rate of a foreign subsidiary	**61**	44	**-**	-
Current year's deductible temporary differences and tax losses not recognised	**1,083**	-	**1,043**	-
(Over)/under accrual of current tax in prior years	**(1,229)**	10	**(1,716)**	-
Over accrual of deferred tax in prior years	**(788)**	(2,596)	**-**	-
Tax expense/(credit)	**20,101**	13,190	**(1,716)**	-

10 EARNINGS PER SHARE

Basic earnings per share

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

The weighted average number of ordinary shares in issue was derived at after taking into account the actual bonus issue of 10,696,181 new ordinary shares of RM1.00 each which was approved by the shareholders on 22 December 2011 and subsequently completed on 20 February 2012.

The weighted average number of ordinary shares in issue for the preceding year has been restated to reflect the retrospective adjustments arising from the aforementioned bonus issue.

	Group	
	2011	2010 (restated)
Net profit attributable to owners of the Company (RM'000)	**52,157**	30,384
Weighted average number of ordinary shares in issue ('000)	**117,674**	117,674
Basic earnings per share (sen)	**44.32**	25.82

11 DIVIDENDS

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

	Company			
	2011		2010	
	Gross dividend per share	**Amount of dividend net of tax**	Gross dividend per share	Amount of dividend net of tax
In respect of the financial year ended 31 December 2011:				
- First interim dividend, net of 25% tax	**9**	**7,221**	-	-
In respect of the financial year ended 31 December 2010:				
- Interim dividend, net of 25% tax	**-**	**-**	10	8,023
In respect of the financial year ended 31 December 2009:				
- Final dividend, net of 25% tax	**-**	**-**	27	21,663
- Special dividend, net of 25% tax	**-**	**-**	10	8,023
	9	**7,221**	47	37,709

Subsequent to the end of the current financial year, the Directors have declared a second interim single tier dividend of 21 sen per share amounting to RM24,712,000 in respect of the financial year ended 31 December 2011. The dividend which will be paid on 28 March 2012 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

The Directors do not recommend any final dividend for the financial year ended 31 December 2011.

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 2011						
Cost	**256,995**	**85,224**	**5,521**	**160,377**	**1,180**	**509,297**
Accumulated depreciation	**(52,506)**	**(49,000)**	**(4,516)**	**(56,935)**	**-**	**(162,957)**
Net book value	**204,489**	**36,224**	**1,005**	**103,442**	**1,180**	**346,340**
At 31 December 2010						
Cost	203,920	64,099	6,180	125,220	5,420	404,839
Accumulated depreciation	(41,033)	(42,093)	(4,687)	(39,437)	(613)	(127,863)
Net book value	162,887	22,006	1,493	85,783	4,807	276,976
Movements in net book value						
At 1 January 2011	**162,887**	**22,006**	**1,493**	**85,783**	**4,807**	**276,976**
Additions	**35**	**17,817**	**211**	**11,678**	**67**	**29,808**
Acquisition of a subsidiary (Note 14)	**48,164**	**2,665**	**95**	**13,907**	**-**	**64,831**
Disposals	**-**	**(5)**	**(8)**	**-**	**-**	**(13)**
Written off	**-**	**(5)**	**-**	**-**	**-**	**(5)**
Transfer to intangible assets (Note 16)	**-**	**-**	**-**	**-**	**(3,694)**	**(3,694)**
Reclassification	**-**	**160**	**-**	**(160)**	**-**	**-**
Depreciation charged	**(7,025)**	**(6,617)**	**(339)**	**(7,403)**	**-**	**(21,384)**
Foreign exchange adjustments	**428**	**203**	**(447)**	**(363)**	**-**	**(179)**
At 31 December 2011	**204,489**	**36,224**	**1,005**	**103,442**	**1,180**	**346,340**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2010	167,357	24,324	969	79,349	5,516	277,515
Additions	141	2,656	565	10,386	15	13,763
Disposals	-	(50)	(58)	-	-	(108)
Written off	(12)	(9)	-	-	-	(21)
Depreciation charged	(4,269)	(4,822)	(400)	(3,952)	(637)	(14,080)
Foreign exchange adjustments	(330)	(93)	417	-	(87)	(93)
At 31 December 2010	162,887	22,006	1,493	85,783	4,807	276,976

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings:						
At 31 December 2011						
Cost	**25,277**	**9,350**	**113,757**	**104,999**	**3,612**	**256,995**
Accumulated depreciation	**-**	**(1,005)**	**(16,226)**	**(34,458)**	**(817)**	**(52,506)**
Net book value	**25,277**	**8,345**	**97,531**	**70,541**	**2,795**	**204,489**
At 31 December 2010						
Cost	25,254	-	113,362	61,692	3,612	203,920
Accumulated depreciation	-	-	(12,215)	(28,080)	(738)	(41,033)
Net book value	25,254	-	101,147	33,612	2,874	162,887

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings: (continued)						
Movements in net book value						
At 1 January 2011	**25,254**	**-**	**101,147**	**33,612**	**2,874**	**162,887**
Additions	**-**	**-**	**-**	**35**	**-**	**35**
Acquisition of a subsidiary (Note 14)	**-**	**8,345**	**-**	**39,819**	**-**	**48,164**
Depreciation charged	**-**	**-**	**(4,009)**	**(2,937)**	**(79)**	**(7,025)**
Foreign exchange adjustments	**23**	**-**	**393**	**12**	**-**	**428**
At 31 December 2011	**25,277**	**8,345**	**97,531**	**70,541**	**2,795**	**204,489**
At 1 January 2010	25,323	-	102,481	36,600	2,953	167,357
Additions	67	-	-	74	-	141
Written off	-	-	-	(12)	-	(12)
Depreciation charged	-	-	(1,225)	(2,965)	(79)	(4,269)
Foreign exchange adjustments	(136)	-	(109)	(85)	-	(330)
At 31 December 2010	25,254	-	101,147	33,612	2,874	162,887

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment:				
At 31 December 2011				
Cost	**18,515**	**16,779**	**49,930**	**85,224**
Accumulated depreciation	**(13,511)**	**(12,357)**	**(23,132)**	**(49,000)**
Net book value	**5,004**	**4,422**	**26,798**	**36,224**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment: (continued)				
At 31 December 2010				
Cost	18,967	15,516	29,616	64,099
Accumulated depreciation	(13,622)	(11,513)	(16,958)	(42,093)
Net book value	5,345	4,003	12,658	22,006
Movements in net book value				
At 1 January 2011	**5,345**	**4,003**	**12,658**	**22,006**
Additions	**135**	**765**	**16,917**	**17,817**
Acquisition of a subsidiary (Note 14)	**-**	**-**	**2,665**	**2,665**
Disposal	**-**	**-**	**(5)**	**(5)**
Written off	**-**	**-**	**(5)**	**(5)**
Reclassification	**-**	**-**	**160**	**160**
Depreciation charged	**(404)**	**(862)**	**(5,351)**	**(6,617)**
Foreign exchange adjustments	**(73)**	**517**	**(241)**	**203**
At 31 December 2011	**5,003**	**4,423**	**26,798**	**36,224**
At 1 January 2010	5,173	4,602	14,549	24,324
Additions	326	1,129	1,201	2,656
Disposal	-	(50)	-	(50)
Written off	-	-	(9)	(9)
Depreciation charged	(361)	(1,460)	(3,001)	(4,822)
Foreign exchange adjustments	207	(218)	(82)	(93)
At 31 December 2010	5,345	4,003	12,658	22,006

The borrowing costs of RM954,260 incurred specifically for the construction of the Small Volume Injectable plant and purchases of related equipment were capitalised in the previous financial year. There was no borrowing costs incurred and capitalised during the financial year.

13 PREPAID LEASE PAYMENTS

	Long term RM'000	Short term RM'000	Total RM'000
Group			
At 31 December 2011			
Cost	**2,128**	**1,689**	**3,817**
Accumulated amortisation	**(438)**	**(512)**	**(950)**
Net book value	**1,690**	**1,177**	**2,867**
At 31 December 2010			
Cost	2,128	1,689	3,817
Accumulated amortisation	(406)	(461)	(867)
Net book value	1,722	1,228	2,950
Movements in net book value			
At 1 January 2011	**1,722**	**1,228**	**2,950**
Amortisation charged for the financial year	**(32)**	**(51)**	**(83)**
At 31 December 2011	**1,690**	**1,177**	**2,867**
At 1 January 2010	1,754	1,279	3,033
Amortisation charged for the financial year	(32)	(51)	(83)
At 31 December 2010	1,722	1,228	2,950

14 INVESTMENTS IN SUBSIDIARY COMPANIES

	Company 2011 RM'000	2010 RM'000
Unquoted shares, at cost	**185,823**	184,523
Add: Increase in investment in unquoted shares	**99,731**	1,300
	285,554	185,823
Less: Accumulated impairment	**(378)**	-
	285,176	185,823

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective equity interest (%) 2011	2010	Principal activities
Subsidiary companies of the Company				
Idaman Pharma Manufacturing Sdn. Bhd.	Malaysia	**100**	-	Manufacture and sale of pharmaceutical products
Pharmaniaga Manufacturing Berhad	Malaysia	**100**	100	Manufacture and sale of pharmaceutical products
Pharmaniaga LifeScience Sdn. Bhd.	Malaysia	**100**	100	Manufacture and sale of pharmaceutical products
Pharmaniaga Logistics Sdn. Bhd.	Malaysia	**100**	100	Distribution of pharmaceutical and medical products
Pharmaniaga Marketing Sdn. Bhd.	Malaysia	**100**	100	Marketing of pharmaceutical products

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows: (continued)

Name of company	Country of incorporation	Effective equity interest (%) 2011	2010	Principal activities
Subsidiary companies of the Company (continued)				
Pharmaniaga Research Centre Sdn. Bhd.	Malaysia	**100**	100	Conduct research and development of pharmaceutical products
Insurgress Sdn. Bhd.	Malaysia	**100**	100	Dormant
Safire Pharmaceuticals (M) Sdn. Bhd.	Malaysia	**100**	100	Dormant
Pharmaniaga International Corporation Sdn. Bhd.	Malaysia	**100**	100	Investment holding
Pharmaniaga Pegasus (Seychelles) Co. Ltd. *	Republic of Seychelles	**100**	100	Dormant
Pharmaniaga Biovention Sdn. Bhd.	Malaysia	**100**	100	Dormant
Subsidiary company of Pharmaniaga Logistics Sdn. Bhd.				
Pharmaniaga Biomedical Sdn. Bhd.	Malaysia	**100**	100	Supply, trading and installation of medical and hospital equipment
Subsidiary company of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *	Indonesia	**55**	55	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia

* Audited by a firm other than member firm of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia.

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisition of a subsidiary during the financial year

On 29 December 2011, the Company completed the acquisition of Idaman Pharma Manufacturing Sdn Bhd ("IPMSB") representing 100% equity interest for a total cash consideration of RM99.7 million. Accordingly, IPMSB became a wholly-owned subsidiary of the Company and the Group's consolidated statement of financial position as at 31 December 2011 had incorporated the fair values of the assets and liabilities of IPMSB. Included in net consideration is a settlement of loan on behalf of IPMSB to Boustead Management Services Sdn Bhd amounted to RM59 million.

The fair value of the net assets acquired, goodwill and cash flow arising from the acquisition is as follows:

	Carrying value/Fair value (upon acquisition) RM'000
Property, plant and equipment	**64,831**
Inventories	**18,128**
Trade and other receivables	**32,116**
Cash and bank balances	**15,483**
Trade and other payables	**(14,507)**
Other current liabilities	**(5,259)**
Borrowings	**(5,932)**
Deferred tax liabilities (Note 29)	**(4,334)**
Fair value of net assets acquired	**100,526**
Excess of the cost of business over the Group's interest in the fair value of identifiable net assets acquired	**58,205**
Net consideration	**158,731**
Less: Cash and cash equivalents of subsidiary acquired	**(15,483)**
Less: Consideration payable to Idaman Pharma Sdn Bhd (Note 24)	**(48,868)**
Cash outflow of the Group on acquisition through business combination	**94,380**

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisition of a subsidiary during the financial year (continued)

As of the date of this report, management has yet to finalise the purchase price allocation ("PPA") for the business combination, as required by FRS 3 "Business Combinations". The excess of cost of business over the Group's interest in the fair value of identifiable net assets acquired arising from the business combination has been derived only on a provisional basis.

Based on the preliminary assessment, the goodwill on acquisition is estimated at RM58.2 million. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. The results of the PPA exercise will determine the final value of goodwill arising from the acquisition of IPMSB. Upon finalisation of the PPA, the Group will recognise any adjustments to the provisional values of the excess of the cost of business over the Group's interest in the fair value of identifiable net assets acquired from the business combination.

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group		**Company**	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Unquoted shares, at cost	**19**	1,970	**19**	1,970
Group's share of post acquisition profits	**-**	3,457	**-**	-
	19	5,427	**19**	1,970

On 14 July 2011, the Company completed the disposal of its entire equity interest of 30% in Forte Tech Solutions Sdn. Bhd. ("FTS"), comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM4.96 million, resulting in a loss on disposal of RM144,000 to the Group.

In the prior financial year, a settlement agreement dated 14 December 2009 was entered between the Company and Amcare Labs International Inc. ("ALI") for the disposal of the Company's entire 40% equity interest in Amcare Labs (M) Sdn Bhd ("ALM") to ALI for a consideration of RM1.00 ("Disposal"). The disposal was completed on 24 November 2010.

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The Group's aggregate share of assets, liabilities, income and expenses of the associated companies are as follows:

	Group 2011 RM'000	2010 RM'000
Results		
Revenue	**13**	5,826
Losses after tax	**(337)**	(1,135)
Assets and liabilities		
Non-current assets	**-**	5,120
Current assets	**19**	3,727
Current liabilities	**-**	(3,420)
Net assets	**19**	5,427

The Group's share of losses of associated companies that have not been recognised amounted to RMNil for the current financial year (2010: RMNil) and RMNil (2010: RM5,241,000) cumulatively as at 31 December 2011 as they have exceeded the Group's cost of investments and advances and thus the Group has no further financial obligation beyond these exposures.

Details of the associated companies are as follows:

Name of company	Country of incorporation	Effective equity interest (%) 2011	2010	Principal activities
Associated companies of the Company				
Pharmacare Asia Holdings (Cayman) Limited	Cayman Island	**49**	49	Dormant, pending striking out
Forte Tech Solutions Sdn. Bhd.	Malaysia	**-**	30	Provision of information technology solutions and systems support services

16 INTANGIBLE ASSETS

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group						
Cost						
At 1 January 2011	39,248	9,371	1,000	-	-	49,619
Additions	58,205	-	-	-	12,108	70,313
Transfer from property, plant and equipment (Note 12)	-	-	-	4,307	-	4,307
Written off	-	(9,371)	-	-	-	(9,371)
Foreign exchange adjustments	-	-	-	797	-	797
At 31 December 2011	97,453	-	1,000	5,104	12,108	115,665
Accumulated amortisation						
At 1 January 2011	7,628	9,371	-	-	-	16,999
Amortisation charged	-	-	-	637	371	1,008
Transfer from property, plant and equipment (Note 12)	-	-	-	613	-	613
Written off	-	(9,371)	-	-	-	(9,371)
Foreign exchange adjustments	-	-	-	430	-	430
At 31 December 2011	7,628	-	-	1,680	371	9,679
Accumulated impairment						
At 1 January 2011/ At 31 December 2011	2,800	-	1,000	-	-	3,800
Net book value						
At 31 December 2011	87,025	-	-	3,424	11,737	102,186

16 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group						
Cost						
At 1 January 2010 / At 31 December 2010	39,248	9,371	1,000	-	-	49,619
Accumulated amortisation						
At 1 January 2010 / At 31 December 2010	7,628	9,371	-	-	-	16,999
Accumulated impairment						
At 1 January 2010 / At 31 December 2010	2,800	-	1,000	-	-	3,800
Net book value						
At 31 December 2010	28,820	-	-	-	-	28,820

16 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

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

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

	2011			2010		
	Logistics and distribution RM'000	**Manufacturing RM'000**	**Total RM'000**	Logistics and distribution RM'000	Manufacturing RM'000	Total RM'000
Malaysia	**25,754**	**58,205**	**83,959**	25,754	-	25,754
Indonesia	**3,066**	**-**	**3,066**	3,066	-	3,066
	28,820	**58,205**	**87,025**	28,820	-	28,820

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

Logistics and distribution

Key assumptions used for value-in-use calculations:

	2011	2010
Growth rate[1] (%)	**2.5**	7.2
Gross margin[2] (%)	**10.0**	18.0
Discount rate[3] (%)	**10.0**	10.0
Local university project[4] (RM'000)	**7,800**	10,400
Other institution project[5] (RM'000)	**18,000**	20,000
General hospital project[6] (RM'000)	**124,000**	134,400

1 Growth rate for sales of pharmaceutical products
2 Budgeted gross margin
3 Pre-tax discount rate applied to the cash flow projections
4 Expected revenue to be generated upon securing a contract to supply and install medical equipment to a local university
5 Expected revenue to be generated upon securing a contract to supply and install medical equipment to other institution
6 Expected revenue to be generated upon securing a contract to supply and install medical equipment to a general hospital

16 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

Logistics and distribution (continued)

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

Management considers that the potential economic benefits from this CGU to be sufficient and no impairment loss to be recognised for the financial year.

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

Any reasonable possible change in the key assumptions used will not result in an additional impairment loss, other than if management is unsuccessful in securing the supply and installation of medical equipment contract in respect of the other institution and general hospital, in which case it will cause an additional impairment loss of approximately RM3.1 million to be recognised.

Manufacturing

The key assumptions for the recoverable amounts of this CGU are management's estimates of net cash flows over 5 years based on a growth rate of 16.0% and at a discount rate of 10.0%. Management considers that the potential economic benefits from this CGU to be sufficient and no impairment loss to be recognised for the financial year. Any reasonable possible change in the key assumptions used will not result in an additional impairment loss.

17 INVENTORIES

	Group	
	2011	2010
	RM'000	RM'000
Raw materials	**24,072**	13,365
Packaging materials	**9,186**	4,782
Work-in-progress	**6,667**	1,421
Finished goods	**344,689**	210,445
	384,614	230,013

18 TRADE RECEIVABLES

	Group 2011 RM'000	2010 RM'000
Trade receivables	**204,896**	123,832
Less: Provision for impairment of trade receivables	**(6,754)**	(6,112)
	198,142	117,720
Amounts due from customers on contracts (Note 31)	**5,442**	5,742
	203,584	123,462

The credit terms of trade receivables range from 30 days to 120 days (2010: 30 days to 120 days).

Trade receivables that are past due but not impaired

As at 31 December 2011, trade receivables of RM75.8 million (2010: RM92.0 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings. The aging analysis of these trade receivables is as follows:

	Group 2011 RM'000	2010 RM'000
Less than three months	**54,927**	69,853
Between three to six months	**11,500**	5,532
Between six months and one year	**6,017**	5,366
Greater than one year	**3,341**	11,231
	75,785	91,982

18 TRADE RECEIVABLES (CONTINUED)

Trade receivables that are impaired

As at 31 December 2011, trade receivables of RM6.7 million (2010: RM6.1 million) were impaired and provided for. The individually impaired receivables mainly relate to private customers, which are in unexpectedly difficult economic situations. The aging of these receivables is as follows:

	Group 2011 RM'000	Group 2010 RM'000
Less than three months	**-**	9
Between three to six months	**-**	171
Between six months and one year	**85**	47
Greater than one year	**6,669**	5,885
	6,754	6,112

	2011 RM'000	2010 RM'000
Movements of the provision for impairment of trade receivables during the financial year are as follows:		
At 1 January	**6,112**	5,659
Provision for impairment during the financial year	**415**	543
Bad debts written back	**-**	(90)
Acquisition of a subsidiary	**227**	-
At 31 December	**6,754**	6,112

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

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

19 OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Other receivables	**5,687**	3,806	**61**	70
Less: Provision for impairment of other receivables	**(2,010)**	(2,010)	**-**	-
	3,677	1,796	**61**	70
Prepayments	**12,624**	11,490	**64**	38
Deposits	**1,687**	720	**28**	28
	17,988	14,006	**153**	136

Other receivables that are past due but not impaired

As at 31 December 2011, other receivables (excluding prepayments) of the Group and of the Company of RM0.8 million (2010: RM0.8 million) and RMNil (2010: RMNil) respectively were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings. The aging analysis of these other receivables is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Less than three months	**459**	85	**-**	-
Between three to six months	**49**	32	**-**	-
Between six months and one year	**-**	708	**-**	-
Greater than one year	**298**	-	**-**	-
	806	825	**-**	-

19 OTHER RECEIVABLES (CONTINUED)

Other receivables that are impaired

As at 31 December 2011, other receivables of the Group of RM2.0 million (2010: RM2.0 million) were impaired and provided for. The individually impaired receivable relate to a private customer, which is currently under dispute. The aging of this receivable is as follows:

	Group	
	2011	2010
	RM'000	RM'000
Greater than one year	**2,010**	2,010

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

	Group	
	2011	2010
	RM'000	RM'000
At 1 January	**2,010**	-
Provision for impairment of other receivables	**-**	2,010
At 31 December	**2,010**	2,010

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

20 AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

(a) Amounts due from subsidiary companies

	Company	
	2011	2010
	RM'000	RM'000
Amounts due from subsidiary companies	**240,950**	164,371
Less: Provision for impairment of amounts due from subsidiary companies	**(24,131)**	(24,131)
	216,819	140,240

The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

As at 31 December 2011, amounts due from subsidiary companies of RM24.1 million (2010: RM24.1 million) were impaired and provided for. The individually impaired receivable relate to a subsidiary company, which there is no expectation of recovery. The remaining balances of RM216.8 million were not impaired as there is no expectation of default based on expected future operational cash flows of these subsidiary companies.

(b) Amounts due to subsidiary companies

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

21 AMOUNTS DUE TO RELATED COMPANIES

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

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances	**32,654**	25,216	**360**	836
Deposits with licensed banks	**22,421**	77,761	**-**	-
	55,075	102,977	**360**	836

Deposits with licensed banks of the Group as at the end of financial year have an average maturity period of 3 (2010: 17) days and a weighted average effective interest rate of 2.98% (2010: 2.55%) per annum.

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

23 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2010: 30 days to 120 days).

24 OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Other payables	**71,630**	18,061	**49,781**	215
Accruals	**24,877**	6,591	**664**	485
	96,507	24,652	**50,445**	700

Included in other payables of the Group and Company is the consideration payable to Idaman Pharma Sdn Bhd of RM48.9 million for the acquisition of 49% equity interest in Idaman Pharma Manufacturing Sdn Bhd (Note 14).

Also, included in other payables of the Group are government grants relating to the Kacip Fatimah project amounting to RM337,000 (2010: RM459,000).

24 OTHER PAYABLES (CONTINUED)

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

	2011 RM'000	2010 RM'000
At 1 January	**459**	2,068
Grant received during the financial year	**-**	200
Utilisation during the financial year	**(122)**	(1,809)
At 31 December	**337**	459

25 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

26 LOANS AND BORROWINGS

	Group		**Company**	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Current				
Unsecured:				
- Bankers' acceptances	**100,892**	-	**-**	-
- Revolving credits	**50,000**	-	**50,000**	-
- Foreign time loan	**37,305**	33,050	**-**	-
	188,197	33,050	**50,000**	-
Secured:				
- Hire purchase	**21**	17	**-**	-
	188,218	33,067	**50,000**	-

26 LOANS AND BORROWINGS (CONTINUED)

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Secured:				
- Hire purchase	**102**	59	**-**	-
	102	59	**-**	-
Total				
- Bankers' acceptances	**100,892**	-	**-**	-
- Revolving credits	**50,000**	-	**50,000**	-
- Foreign time loan	**37,305**	33,050	**-**	-
- Hire purchase	**123**	76	**-**	-
	188,320	33,126	**50,000**	-
Hire purchase liabilities				
Minimum payments:				
- Payable within 1 year	**27**	17	**-**	-
- Payable between 1 and 5 years	**109**	77	**-**	-
	136	94	**-**	-
Less: Future finance charges	**(13)**	(18)	**-**	-
Present value of liabilities	**123**	76	**-**	-

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

26 LOANS AND BORROWINGS (CONTINUED)

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

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	1 - 2 years RM'000	Total carrying amount RM'000
Group						
2011						
Bankers' acceptances	**3.30**	**100,892**	**-**	**100,892**	**-**	**100,892**
Revolving credits	**4.80**	**-**	**50,000**	**50,000**	**-**	**50,000**
Foreign time loan*	**10.40**	**-**	**37,305**	**37,305**	**-**	**37,305**
Hire purchase	**11.03**	**123**	**-**	**21**	**102**	**123**
		101,015	**87,305**	**188,218**	**102**	**188,320**
2010						
Foreign time loan*	10.40	-	33,050	33,050	-	33,050
Hire purchase	11.03	76	-	17	59	76
		76	33,050	33,067	59	33,126

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

26 LOANS AND BORROWINGS (CONTINUED)

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

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	Repayment terms 1 - 2 years RM'000	Total carrying amount RM'000
Company						
2011						
Revolving credits	**4.80**	**-**	**50,000**	**50,000**	**-**	**50,000**
2010						
Revolving credits	-	-	-	-	-	

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

	Group **2011 RM'000**	Group 2010 RM'000	Company **2011 RM'000**	Company 2010 RM'000
Ringgit Malaysia	**150,996**	-	**50,000**	-
Indonesian Rupiah	**37,324**	33,126	**-**	-
	188,320	33,126	**50,000**	-

Foreign time loan

The foreign time loan was drawn down to finance the procurement of vehicle and building. The foreign time loan is denominated in Indonesian Rupiah. It bears interest rates at 10.40% per annum (2010: 10.40% per annum).

27 SHARE CAPITAL

	Group and Company 2011 RM'000	2010 RM'000
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of the financial year	**300,000**	300,000
Issued and fully paid:		
At beginning and end of the financial year	**106,978**	106,978

28 RETAINED EARNINGS

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

Companies with Section 108 credits as at 31 December 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provision of the Finance Act, 2007.

Subject to the agreement by the Inland Revenue Board, the Company has tax exempt income to frank the payment of tax exempt dividends up to RM1,666,574 (2010: RM1,666,574).

The Company has elected for the irrevocable option to disregard the Section 108 credits. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 31 December 2011 under the single-tier tax system.

29 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group	
	2011	2010
	RM'000	RM'000
Deferred tax assets	**12,307**	10,945
Deferred tax liabilities	**(5,051)**	(1,530)
	7,256	9,415
At beginning of financial year	**9,415**	773
Acquisition of a subsidiary (Note 14)	**(4,334)**	-
Credited/(charged) to income statement (Note 9):		
- property, plant and equipment	**422**	581
- provisions	**1,753**	8,333
- unutilised tax losses	**-**	(272)
	2,175	8,642
At end of financial year	**7,256**	9,415
<u>Subject to income tax</u>		
Deferred tax assets (before offsetting)		
- property, plant and equipment	**-**	67
- provisions	**11,288**	9,535
- unutilised tax losses	**1,358**	1,358
	12,646	10,960
Offsetting	**(339)**	(15)
Defered tax assets (after offsetting)	**12,307**	10,945
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	**(5,390)**	(1,545)
Offsetting	**339**	15
Defered tax liabilities (after offsetting)	**(5,051)**	(1,530)

29 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Unutilised tax losses	**107,849**	103,519	**29,557**	25,387
Unabsorbed capital allowances	**86**	84	**22**	20
Deductible temporary differences	**1,428**	1,428	**-**	-
	109,363	105,031	**29,579**	25,407
Deferred tax assets not recognised at 25% (2010: 25%)	**27,341**	26,258	**7,395**	6,352

30 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiary in Indonesia operates an unfunded defined benefit scheme for its employees based on the provisions of Labor Law No. 13/2003. The latest actuarial valuation of the plan was carried out on 22 December 2011.

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

	Group	
	2011	2010
	RM'000	RM'000
At 1 January	**3,175**	2,449
Charged to income statement	**748**	862
Contributions paid during the financial year	**(226)**	(167)
Foreign exchange adjustments	**166**	31
At 31 December	**3,863**	3,175

30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

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

	Group 2011 RM'000	2010 RM'000
Present value of unfunded defined benefit obligations	**5,554**	3,670
Unrecognised actuarial losses	**(1,630)**	(423)
Unrecognised past service cost (non-vested)	**(61)**	(72)
Net liabilities	**3,863**	3,175
Analysed as:		
Non-current	**3,863**	3,175

The amounts recognised in the income statement are as follows:

	Group 2011 RM'000	2010 RM'000
Current service cost	**433**	548
Interest cost	**305**	304
Amortisation of unrecognised past service cost	**10**	10
Expense recognised in the income statement	**748**	862

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

	Group 2011 %	2010 %
Discount rate	**6.5**	9.0
Expected rate of salary increase	**7.0**	7.0

31 AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	Group 2011 RM'000	2010 RM'000
Aggregate costs incurred to-date	**39,838**	33,700
Add: Attributable profits	**6,463**	5,608
	46,301	39,308
Less: Progress billings	**(40,859)**	(33,566)
Amounts due from customers (Note 18)	**5,442**	5,742
Contract revenue recognised during the financial year (Note 4)	**5,792**	5,306
Contract costs recognised as expense during the financial year (Note 5)	**4,207**	4,044

32 SEGMENTAL REPORTING

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

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

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

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

During the financial year, the Group's activities are reorganised to be more focused in delivering results for respective areas. Accordingly, the Group's segment information will be presented under two segments, namely Logistics and Distribution Division and Manufacturing Division. Comparatives have been restated accordingly.

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2011				
Revenue				
External sales	1,519,949	1,032	-	1,520,981
Inter-segment sales	1,154	134,915	(136,069)	-
Total revenue	1,521,103	135,947	(136,069)	1,520,981
Results				
Segment results	67,518	9,221	-	76,739
Finance costs	(4,164)	-	-	(4,164)
Interest income	948	-	-	948
Share of results from associated company	(337)	-	-	(337)
Profit before zakat and taxation	63,965	9,221	-	73,186
Taxation				(20,101)
Zakat				(300)
Net profit for the financial year				52,785

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2011				
Other information				
Segment assets	1,422,677	452,121	(741,342)	1,133,456
Investment in an associated company				19
Total assets				1,133,475
Segment liabilities	1,028,696	240,329	(618,857)	650,168
Capital expenditure on property, plant and equipment and intangible assets	86,696	13,425	-	100,121
Depreciation of property, plant and equipment	6,206	15,076	102	21,384
Amortisation of prepaid lease payments	72	11	-	83
Amortisation of intangible assets	1,008	-	-	1,008
Non-cash expenses other than depreciation and amortisation	11,490	1,863	3,118	16,471

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2010				
Revenue				
External sales	1,377,954	394	-	1,378,348
Inter-segment sales	1,610	132,649	(134,259)	-
Total revenue	1,379,564	133,043	(134,259)	1,378,348
Results				
Segment results	26,956	22,656	-	49,612
Finance costs	(4,043)	-	-	(4,043)
Interest income	1,028	-	-	1,028
Share of results from associated company	(1,135)	-	-	(1,135)
Profit before zakat and taxation	22,806	22,656	-	45,462
Taxation				(13,190)
Zakat				(1,962)
Net profit for the financial year				30,310

32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2010				
Other Information				
Segment assets	1,008,275	428,378	(640,200)	796,453
Investment in associated companies				5,427
Total assets				801,880
Segment liabilities	665,265	214,691	(515,549)	364,407
Capital expenditure on property, plant and equipment	2,022	11,741	-	13,763
Depreciation of property, plant and equipment	5,282	8,448	350	14,080
Amortisation of prepaid lease payments	73	10	-	83
Non cash expenses other than depreciation and amortisation	51,504	2,042	(24,131)	29,415

32 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total segment assets RM'000	Capital expenditure and intangible assets acquired during the year RM'000
Geographical markets			
2011			
Malaysia	**1,171,781**	**1,021,104**	**99,441**
Indonesia	**336,657**	**112,371**	**680**
Other countries	**12,543**	**-**	**-**
	1,520,981	**1,133,475**	**100,121**
2010			
Malaysia	1,062,171	705,418	12,943
Indonesia	301,170	96,462	820
Other countries	15,007	-	-
	1,378,348	801,880	13,763

Revenue is based on the country in which the customer is located. Total segment assets and capital expenditure acquired during the financial year are determined based on where the assets are located.

33 CAPITAL COMMITMENTS

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

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Authorised and contracted for:				
- acquisition of property, plant and equipment	**5,695**	9,011	**-**	-
Authorised but not contracted for:				
- acquisition of property, plant and equipment	**19,719**	2,237	**-**	-

34 CONTINGENT LIABILITIES - UNSECURED

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	**45,000**	45,000	**-**	-
Bank guarantees for projects and utilities undertaken by subsidiary companies	**22,127**	22,528	**-**	-

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The related party transactions described below were carried out on terms and conditions agreed by the related parties.

	Group 2011 RM'000	Group 2010 RM'000
(a) Related companies		
• Travelling and accommodation	**626**	-
• Corporate and administrative supports services	**323**	-
• Rental of warehousing facilities	**182**	-
• Provision of warehousing services	**112**	-
(b) Related parties		
• Purchase of pharmaceutical products	**43,230**	-
• Consultants fees	**180**	-

	Company 2011 RM'000	Company 2010 RM'000
(c) Subsidiary companies		
Dividend income from a subsidiary company	**14,000**	39,000
Management fees charged to subsidiary companies	**4,623**	5,925
Advances from a subsidiary company for:		
• Redemption of Commercial Papers	**-**	14,000
• Redemption of Medium Term Notes	**-**	15,000
Finance expense charged to subsidiary companies for:		
• Profit for Commercial Papers	**-**	272
• Profit for Medium Term Notes	**-**	534

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Remuneration of key management personnels

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Salaries, bonuses and allowances	**2,839**	2,808	**2,839**	1,099
Social contribution cost	**3**	2	**3**	-
Defined contribution plan	**377**	307	**377**	132
Estimated monetary value of benefits by way of usage of Group assets	**17**	115	**17**	14
Others	**122**	217	**122**	144
	3,358	3,449	**3,358**	1,389

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

(e) Significant outstanding balances

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

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Amounts due from				
Subsidiary companies	**-**	-	**216,819**	140,240
Amounts due to				
Immediate holding company	**223**	-	**223**	-
Subsidiary companies	**-**	-	**238,480**	162,178
Related companies	**3,307**	-	**57**	-

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

36 SIGNIFICANT EVENTS

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

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

(b) On 22 December 2011, the proposed bonus issue of up to 10,697,779 Bonus Shares to be credited as fully paid-up, on the basis of 1 Bonus Share for every 10 existing shares held has been approved by the shareholders to address the public spread shareholding requirement of the Company.

The Bonus Issue was completed on 20 February 2012 following the listing of 10,696,181 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad.

(c) On 13 October 2011, the Company has entered into Share Sale Agreements with Idaman Pharma Sdn Bhd ("IPSB") and Boustead Idaman Sdn Bhd ("BISB") respectively to acquire the entire equity interest in Idaman Pharma Manufacturing Sdn Bhd ("IPMSB") for a total cash consideration of RM99.7 million. The acquisition was completed on 29 December 2011 and the effect of the acquisition is summarised in Note 14.

(d) Subsequent to the completion of the acquisition of IPMSB, Pharmaniaga Logistics Sdn Bhd ("PLSB") had, on 6 January 2012, entered into a Novation Agreement with IPMSB and IPSB. In accordance with the Novation Agreement, IPSB will novate and transfer all its rights, benefits, liabilities and obligations under the PLSB-IPSB Supply Agreement for the period from 1 February 2011 to 31 January 2014 to IPMSB for a novation consideration of RM51.083 million. IPMSB will be bound by the terms of PLSB-IPSB Supply Agreement in every way as if IPMSB were a party to the said agreement instead of IPSB.

The completion of the novation is subject to the approval of the Ministry of Finance ("MOF") for the effective and valid transfer of the Adoption Scheme Status from IPSB to IPMSB.

37 MATERIAL LITIGATION

Since the previous financial year, there are no changes in material litigation as at thereporting date except for the following:

Counterclaims by former Directors of Safire Pharmaceuticals (M) Sdn Bhd ("Safire")

The Company announced on 18 January 2005, that Safri bin Nawawi (''Safri") and Hamimah Binti Idruss (''Hamimah"), former directors of Safire, on 28 December 2004 have each commenced an action by way of Counterclaim against the Company in the legal suit originally filed by Danaharta Urus Sdn. Bhd. against them. The Company and Safire are named 4th Defendant and 3rd Defendant respectively in both Actions by Counterclaim and were served with the court papers on 11 January 2005. The Company had filed its Memorandum of Appearance in Court on 14 January 2005 and 18 January 2005 in respect of the Counterclaim.

The Company and Safire have both filed their respective defense to the Action by Counterclaim on 31 January 2005. The Company has further filed an application to strike out the Counterclaim on 3 March 2005.

The High Court has allowed the application on 14 July 2010. Subsequently, Safri filed a Notice of Appeal against the decision on 15 July 2010. The court had fixed the matter for hearing of the Notice of Motion on the appeal by Safri on 21 July 2011. The court had struck out Safri's appeal with costs of RM5,000 to be paid to the Company by Safri.

However, on 22 August 2011, the Company received a Notice of Motion by Safri for leave to appeal to the Federal Court against the decision of the Court of Appeal. The matter came up for Case Management on 7 December 2011 and the Federal Court directed Safri to find out from the Court of Appeal whether the Grounds of Judgment in relation to its decision granted on 21 July 2011 will be provided. The matter has been fixed for Hearing on 13 March 2012.

The Board of Pharmaniaga upon consultation with the solicitors is of the opinion that the positions of both the Company and Safire are defendable.

38 FINANCIAL RISK MANAGEMENT

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

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

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors

(a) Market risk

(i) Foreign currency exchange risk

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

Management has set up a policy to require Group companies to manage their foreign currency exchange risk against their functional currency. Foreign currency exchange risk arises when current commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2011, if the functional currency had weakened/strengthened by 5% against the IDR with all other variables held constant, the impact on equity would have been approximately RM26,000 higher/lower on translation upon consolidation. No impact to income statement as the financial assets and liabilities denominated in IDR are in respect of a foreign subsidiary where trade is conducted in the entity's functional currency.

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

	Currency exposure at 31.12.2011	
	US Dollar RM'000	**Euro RM'000**
Trade receivables	**2,576**	**-**
Deposits, cash and bank balances	**596**	**-**
Trade payables	**(2,436)**	**(631)**
	736	**(631)**

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

	Currency exposure at 31.12.2010	
	US Dollar RM'000	Euro RM'000
Trade receivables	2,613	-
Deposits, cash and bank balances	382	-
Trade payables	(2,276)	(271)
	719	(271)

(ii) Cash flow and fair value 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000
Group					
At 31 December 2011					
Loans and borrowings	**128,838**	**59,380**	**102**	**-**	**-**
Trade payables	**340,834**	**-**	**-**	**-**	**-**
Other payables	**96,507**	**-**	**-**	**-**	**-**
Amount due to immediate holding company	**223**	**-**	**-**	**-**	**-**
Amounts due to related companies	**3,307**	**-**	**-**	**-**	**-**
Dividend payable	**7,221**	**-**	**-**	**-**	**-**
At 31 December 2010					
Loans and borrowings	-	33,067	59	-	-
Trade payables	300,496	-	-	-	-
Other payables	24,652	-	-	-	-
Company					
At 31 December 2011					
Loans and borrowings	**50,000**	**-**	**-**	**-**	**-**
Other payables	**50,445**	**-**	**-**	**-**	**-**
Amount due to immediate holding company	**223**	**-**	**-**	**-**	**-**
Amounts due to subsidiary companies	**238,480**	**-**	**-**	**-**	**-**
Amounts due to related companies	**57**	**-**	**-**	**-**	**-**
Dividend payable	**7,221**	**-**	**-**	**-**	**-**

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000
Company					
At 31 December 2010					
Other payables	700	-	-	-	-
Amounts due to subsidiary companies	162,178	-	-	-	-

Capital risk management

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

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 RM'000	2010 RM'000
Total loans and borrowings (Note 26)	**188,320**	33,126
Total equity	**483,307**	437,473
Gearing ratio	**39.0%**	7.6%

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 March 2012.

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

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

	Group		**Company**	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Total retained profits of the Company and its subsidiaries:				
- realised profits	**414,274**	345,432	**40,676**	36,702
- unrealised profits	**5,268**	5,530	**-**	-
	419,542	350,962	**40,676**	36,702
Total share of retained profits from associated companies:				
- realised profits	**-**	3,004	**-**	-
	419,542	353,966	**40,676**	36,702
Less: Consolidation adjustments	**(78,032)**	(57,662)	**-**	-
Total retained profits	**341,510**	296,304	**40,676**	36,702

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

Additional Disclosure

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

   There were no proceeds received during the current financial year.

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

   The Company did not carry out any share buy back exercises during the financial year ended 31 December 2011.

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

   The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2011.

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

   The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2011.

5. **VARIATION IN RESULT**

   There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2011.

6. **PROFIT GUARANTEE**

   There was no profit guarantee given by the Company and its Subsidiaries during the financial year ended 31 December 2011.

7. **MATERIAL CONTRACTS**

   There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2011 or entered into since the end of the previous financial year.

Pharmaniaga Group Property List
as at 31 December 2011

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 31/12/2011 (RM'000)	Date of Revaluation / Acquisition
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang Selangor Industrial Premises: No 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7, 40000 Shah Alam Selangor	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	17	28,475	14 March 2005
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang Selangor Industrial Premises: No 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7, 40000 Shah Alam Selangor	A parcel of industrial land with a single storey laboratory building, a chiller plant building and a guard house	17,414	Freehold	14	15,081	14 March 2005
Geran 44309 of Lot 7 of Mukim Pekan Puchong Perdana and District of Petaling Selangor Industrial Premises: No 7, Jalan PPU 3, Taman Perindustrian Puchong, 47100 Puchong, Selangor	An industrial land with a main 2-storey detached factory industrial building with a 3-storey office/ laboratory section at the back and a single storey warehouse section at the front, a cafeteria/surau building, a fire pump room/cold water pump room, an inflammable store/refuse chamber and a guard house.	28,041	Freehold	11	67,698	21 August 2001

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2011 (RM'000)	Date of Revaluation / Acquisition
Lot PT 1157, H.S. (M) 9726 Mukim of Kajang, Hulu Langat Selangor Factory: No 11A, Jalan P/1 Kawasan Perindusrian Bangi 43650 Bandar Baru Bangi Selangor	A parcel of industrial land with 3 industrial buildings, a office/ workshop, a canteen, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	26	26,353	28 August 1991
Lot 1024, Block 7 Muara Tebas Land District of Kuching, Sarawak Industrial Premises: Lot 1024, Block 7 Muara Tebas Land District Demak Laut Industrial Park 93050 Kuching, Sarawak	A parcel of industrial land with a 2-storey office, warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	15	7,071	3 November 2004
Country Lease 015377554 Kota Kinabalu, Sabah Industrial Premises: Lorong Kurma Kolombong Industrial Centre KM 9, Off Jalan Tuaran 88450 Kolombong Kota Kinabalu Sabah	A parcel of industrial land with 2-storey office, warehouse and a guard house	6,111	Leasehold of 66 years, expiring on 21 December 2033	9/36	3,981	21 January 2002

Pharmaniaga Group Property List
as at 31 December 2011

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 31/12/2011 (RM'000)	Date of Revaluation / Acquisition
H.S. (M) 1479, H.S. (M) 1480 and H.S. (M) 1481 Lot No 3806, 3807 and 3808 Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang Industrial Premises: Nos. 1,3 & 5 Lorong IKS Juru 8 Taman Perindustrian Ringan Juru, 14100 Seberang Perai Pulau Pinang	3 contiguous 1 $^{1}/_{2}$ semi detached warehouse with office	2,175	Freehold	14	1,177	11 November 1998
Flat Nos. 401-405 3rd Floor, Block 5 Jalan 1/9 Section 1 43650 Bandar Baru Bangi Selangor	5 units of 2–bedroom flat for staff lodging	296	Leasehold of 99 years, expiring on 31 March 2095	18	14	10 June 1993 and 19 July 1995
Flat Nos. 501, 503, 505 and 507, 4th Floor, Block 10 Jalan 6C/11, Section 16 43650 Bandar Baru Bangi Selangor	4 units of 2-bedrooms flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	16	7	11 June 1993
Lot PT 10908, H.S. (M) 9124 Mukim of Kajang Hulu Langat Selangor House: No 5, Jalan 4/4E, Section 4 43650 Bandar Baru Bangi Selangor	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	25	13	4 September 1987

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2011 (RM'000)	Date of Revaluation / Acquisition
Lot PR 10911, H.S. (M) 9127 Mukim of Kajang Hulu Langat Selangor House: No 11, Jalan 4/4E, Section 4 43650 Bandar Baru Bangi Selangor	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	25	13	4 September 1987
Blok D. 20 & 21 Ruko Grand Mal Bekasi	Shop lots	Building 453 Land 136	Freehold 15 years to 24 September 2013	9	116	13 October 2003
Jalan Depsos 67 – 70 Bintaro Jaksel	Office and warehouse	Building 965 Land 1,860	Freehold 30 years to 7 July 2028	12	1,045	14 January 1999 Revaluation 2001
Apartmen Permata Eksekutif Jalan Pos Pengumben Raya Jak-Bar	Shop lots	Building 146	Freehold 20 years to 2015	8	178	6 May 2004
Jalan Kalibokor Selatan 152 Surabaya	Office and warehouse	Building 820 Land 1,133	Leasehold 5 years to 30 June 2011(in progress to extend)	30	102	4 November 1971 Revaluation 2001

Pharmaniaga Group Property List
as at 31 December 2011

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 31/12/2011 (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 Lapan, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman.	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, purified water system and waste water treatment.	Building 11,256 Land 40,469	Leasehold of 99 years, expiring on 1 January 2083	34	17,415	6 March 2005
LOT PT3090,PT3091 & PT3091, of Mukim and District of Mukim of Bandar Seri Iskandar, Perak Tengah, Perak Factory: Lot 120, Taman Farmasiutikal 32610 Bandar Seri Iskandar, Perak	A parcel of building land built upon a defected industrial building with a 2 – storey office building, prayer room, canteen and warehouse penicillin & non penicillin production plant buildings, laboratory buildings, a chiller plant building, boiler house & TNB sub-station and a guard house.	Building 1,029 Land 60,754	Leasehold of 99 years, expiring on 14 March 2100	15	30,750	1 June 2009

Analysis of Shareholdings
as at 31 January 2012

SHARE CAPITAL

Authorised Share Capital	:	RM300,000,000.00
Issued and Paid-Up Share Capital	:	RM106,977,788.00 divided into 106,977,788 Ordinary Shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per Ordinary Share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	526	8.019	18,510	0.017
100 to 1,000	4,208	64.156	1,666,474	1.557
1,001 to 10,000	1,566	23.875	4,705,479	4.398
10,001 to 100,000	229	3.491	5,898,273	5.513
100,001 to less than 5% of Issued Shares	28	0.426	7,333,738	6.855
5,348,889 to 5% and above of Issued Shares	2	0.030	87,355,314	81.657
TOTAL	**6,559**	**100.000**	**106,977,788**	**100.000**

30 LARGEST SHAREHOLDERS (as per the Register of Depositors)

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	Boustead Holdings Berhad	77,408,932	72.359
2	Lembaga Tabung Angkatan Tentera	9,946,382	9.297
3	Scotia Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Che Lodin bin Wok Kamaruddin*	1,273,731	1.190
4	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd For Hong Leong Bank Berhad*	647,000	0.604
5	Tan Yu Wei	451,502	0.422
6	Chinchoo Investment Sdn. Berhad	377,335	0.352
7	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	335,652	0.313
8	Yong Siew Yoon	335,275	0.313
9	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for American International Assurance Berhad*	292,115	0.273
10	Gan Teng Siew Realty Sdn. Berhad	271,721	0.253
11	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd For Hong Leong Assurance Bhd (Life)*	269,300	0.251

30 LARGEST SHAREHOLDERS (as per the Register of Depositors)

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
12	Mayban Nominees (Tempatan) Sdn Bhd *Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)*	231,110	0.216
13	Key Development Sdn. Berhad	219,736	0.205
14	HSBC Nominees (Asing) Sdn Bhd *TNTC For Saudi Arabian Monetary Agency*	213,968	0.200
15	Citigroup Nominees (Tempatan) Sdn Bhd *ING Insurance Berhad (INV-IL PAR)*	186,885	0.174
16	Gemas Bahru Estates Sdn. Bhd.	178,756	0.167
17	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd For Hong Leong Foundation*	171,400	0.160
18	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd For Hong Leong Assurance Bhd (Non-Life)*	168,800	0.157
19	Bidor Tahan Estates Sdn. Bhd.	165,538	0.154
20	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend)*	159,531	0.149
21	MIKDavid Sdn Bhd	151,264	0.141
22	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (AM INV)*	147,644	0.138
23	Rengo Malay Estate Sendirian Berhad	132,797	0.124
24	Hong Leong Assurance Berhad *As Beneficial Owner (UnitLinked GF)*	132,608	0.123
25	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Au Kwan Seng*	131,000	0.122
26	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank For Dato' Che Lodin bin Wok Kamaruddin (MM0197)*	129,926	0.121
27	Mayban Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	122,000	0.114
28	Che Lodin bin Wok Kamaruddin	118,115	0.110
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt An For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)*	115,000	0.107
30	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Icapital.Biz Berhad*	113,800	0.106
TOTAL		**94,598,823**	**88.428**

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

		No. of Shares Held			
No.	**Name of Substantial Shareholders**	**Direct**	**%**	**Indirect**	**%**
1	Boustead Holdings Berhad	77,408,932	72.359	-	-
2	Lembaga Tabung Angkatan Tentera	9,946,382	9.297	77,408,932*	72.359*

*Held indirectly through its shareholding in Boustead Holdings Berhad

DIRECTORS' SHAREHOLDINGS (as per the Register of Director's Shareholding)

No.	Name of Directors	Direct	%	Indirect	%
1	Tan Sri Dato' Lodin Wok Kamaruddin	1,536,187	1.435	2,850,000	2.664
2	Dato' Farshila Emran	-	-	200,000	0.186
3	Mr Daniel Ebinesan	8,468	0.007	150,000	0.140
4	En Izzat Othman	-	-	50,000	0.046
5	En Mohd Suffian Haji Haron	-	-	50,000	0.046
6	Lt Gen Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	-	-	-	-

NON-COMPLIANCE WITH PUBLIC SHAREHOLDING SPREAD REQUIREMENT PURSUANT TO PARAGRAPH 8.02 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PUBLIC SPREAD REQUIREMENT)

The Company has not at this juncture complied with the Public Spread Requirement and the Company has been granted a further extension of time of six months from 29 December 2011 until 28 June 2012 to comply with the Public Spread Requirement.

Boustead Holdings Berhad, the major shareholder of the Company intents to maintain the listing status of Pharmaniaga.

As at 31 January 2012, Pharmaniaga Berhad's public shareholding spread stood at 16.88%.

Group Corporate Directory

List of Companies	Address
Pharmaniaga Berhad **Pharmaniaga Logistics Sdn Bhd** **Pharmaniaga Biomedical Sdn Bhd** **Pharmaniaga Marketing Sdn Bhd** **Pharmaniaga Research Centre Sdn Bhd**	No. 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan Tel: +603-3342 9999 Fax: +603-3341 7777 **Mailing Address** P.O. Box 2030, Pusat Bisnes Bukit Raja 40800 Shah Alam Selangor Darul Ehsan
Pharmaniaga Manufacturing Berhad	11A Jalan P/1, Kawasan Perusahaan Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan Tel: +603-8925 7880 Fax: +603-8925 6177
Pharmaniaga LifeScience Sdn Bhd	Lot 7, Jalan PPU 3 Taman Perindustrian Puchong Utama 47100 Puchong Selangor Darul Ehsan Tel: +603-8061 2006 Fax: +603-8061 2875
Pharmaniaga Logistics Sdn Bhd (Juru Branch)	1,3, & 5, Lorong IKS Juru 8 Taman Perindustrian Ringan Juru 14100 Simpang Ampat Seberang Prai Pulau Pinang Tel: +604-508 3330/1/2 Fax: +604-508 3111
Pharmaniaga Logistics Sdn Bhd (Kuching Branch)	Lot 1024, Block 7, Muara Tebas Land District Demak Laut Industrial Park 93050 Kuching, Sarawak Tel: +6082-432 800 Fax: +6082-432 806
Pharmaniaga Logistics Sdn Bhd (Kota Kinabalu Branch)	Lorong Kurma, Kolombong Industrial Centre KM 9 Off Jalan Tuaran 88450 Kolombong Kota Kinabalu, Sabah Tel: +6088-439 188 Fax: +6088-437 288
PT Millennium Pharmacon International Tbk (HQ)	Panin Bank Centre, 9th Floor, Jl-Jendral Sudirman Senayan, Jakarta, 10270 Indonesia Tel: +62-21 727 88906/7 Fax: +62-21 722 8090

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 14TH ANNUAL GENERAL MEETING of PHARMANIAGA BERHAD (467709-M) (the Company) will be held at The Royale Bintang Damansara, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 4 April 2012 at 10.00 a.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. Resolution 1

2. To re-elect Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) who retires pursuant to Article 73 of the Company's Articles of Association. Resolution 2

3. To re-elect the following Directors of the Company who retire pursuant to Article 88 of the Company's Articles of Association:

   (a) Dato' Farshila Emran Resolution 3

   (b) Daniel Ebinesan Resolution 4

4. To approve Directors' Fees. Resolution 5

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications :

6. **Ordinary Resolution**
   Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 Resolution 7

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **Ordinary Resolution** Resolution 8
Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (Pharmaniaga Group) to enter into all transactions involving the Related Parties as specified in Section 2 of the Circular to Shareholders dated 13 March 2012 provided that such transactions are :

(a) recurrent transactions of a revenue or trading nature;

(b) necessary for the day-to-day operations;

(c) carried out in the ordinary course of business, at arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(d) are not to the detriment of the minority shareholders of the Company.

AND THAT such approval shall continue to be in force until :

(a) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 [but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965]; or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions authorised by this Ordinary Resolution."

8. **Ordinary Resolution** Resolution 9
Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (Pharmaniaga Group) to enter into recurrent transactions of a revenue or trading nature with the Related Parties as specified in Section 2 of the Circular to Shareholders dated 13 March 2012 subject to the following :

(a) the transaction are in the ordinary course of business, at arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

(b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;

(c) that such authority shall continue to be in force until :

  (i) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which such Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;

  (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 [but shall not extend to such extensions as may be allowed pursuant to Section143(2) of the Companies Act, 1965]; or

  (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions authorised by this Ordinary Resolution."

9. **Special Resolution**
Proposed Amendments to the Articles of Association of the Company (Proposed Amendments) — Special Resolution 1

"THAT the Proposed Amendments to the Articles of Association of the Company as set out in the Circular to Shareholders dated 13 March 2012 be and are hereby approved and adopted.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

10. To transact any other business for which due notice shall have been given.

By Order of the Board

SHARIFAH MALEK (LS 00448)
YANTI IRWANI ABU HASSAN (MACS 01349)
Secretaries

Kuala Lumpur
13 March 2012

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 7 - Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

This proposed Ordinary Resolution, if passed, will empower the Directors of the Company to issue and allot shares from time to time up to a maximum of 10% of the issued share capital of the Company as at the date of this Annual General Meeting (AGM) and for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

The proposed Ordinary Resolution 7 is a renewal of the general mandate for the authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.

As at the date of this Notice, 10,696,181 new shares in the Company were issued pursuant to the authority granted to the Directors at the 13th AGM held on 7 June 2011 and which will lapse at the conclusion of the 14th AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Ordinary Resolution 8 - Proposed renewal of shareholders' mandate for recurrent related party transactions

This proposed Ordinary Resolution, if passed, will authorise the Company and/or its subsidiaries to continue entering into the specified recurrent related party transactions of a revenue or trading nature with related parties, particulars of which are set out in Section 2 of the Circular to Shareholders dated 13 March 2012 circulated together with this Annual Report. These authorities, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

Ordinary Resolution 9 - Proposed additional shareholders' mandate for recurrent related party transactions

This proposed Ordinary Resolution, if passed, will authorise the Company and/or its subsidiaries to enter into the specified recurrent related party transactions of a revenue or trading nature with related parties, particulars of which are set out in Section 2 of the Circular to Shareholders dated 13 March 2012 circulated together with this Annual Report. These authorities, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

Special Resolution 1 - Proposed amendments to the Articles of Association of the Company (Proposed Amendments)

This proposed Special Resolution, if passed, will allow the Company to incorporate the amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad to ensure compliance. Details of the Proposed Amendments are set out in the Circular to Shareholders dated 13 March 2012.

Notes

Registration of Members/Proxies

Registration of Members/Proxies attending the Meeting will be from 9.00 a.m. on the day of the Meeting. Members/Proxies are required to produce identification documents for registration.

Proxy

1 A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him/her. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name, address and NRIC No. of the person of your choice and at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.

2 The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.

3 Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respects of each omnibus account it holds.

4 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. The Annual Report and Form of Proxy are available for access and download at the Company's website at www.pharmaniaga.com

5 Only members registered in the Record of Depositors as at 28 March 2012 shall be eligible to attend the Meeting or appoint a proxy to attend and vote on his/her behalf.

STATEMENT ACCOMPANYING NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 NAME OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

Director retiring pursuant to Article 73 of the Articles of Association :

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

Directors retiring pursuant to Article 88 of the Articles of Association :

a) Dato' Farshila Emran
b) Daniel Ebinesan

Name of Retiring Director	**Dato' Farshila Emran**	**Daniel Ebinesan**	**Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)**
Age	46	66	56
Nationality	Malaysian	Malaysian	Malaysian
Qualification	Masters in Business Administration (C), Universiti Utara Malaysia Diploma in Office Management, MARA University of Technology	Fellow of the Chartered Institute of Management Accountants Member of the Malaysian Institute of Certified Public Accountants Member of the Malaysian Institute of Accountants	Masters of Health Planning, University of New South Wales, Sydney, Australia Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand Masters of Public Health, University of Philippines System, Manila, Philippines

Name of Retiring Director	**Dato' Farshila Emran**	**Daniel Ebinesan**	**Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)**
			Diploma in Principle of Military Medicine, Academy of Health Sciences, Fort Sam Houston, Texas, USA Doctor of Medicine (M.D), Universiti Kebangsaan Malaysia
Position in Pharmaniaga Berhad	Managing Director	Non-Independent Non-Executive Director	Independent Non-Executive Director
Working Experience & Occupation	Member of Board of Idaman Pharma Manufacturing Sdn Bhd She has vast experience in business development and was attached to SEVES Sediver France, a public listed company in France	Director, Financial Services for Boustead Holdings Group Sits on the Board of Boustead REIT Managers Sdn Bhd and member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet Malaysia	President, Cyberjaya University College of Medical Sciences Former Deputy Vice Chancellor, Masterskills University College of Health Sciences Former Deputy President, Cyberjaya University College of Medical Sciences Started his career as Medical Officer with Ministry of Defence, and has served the Malaysian Armed Forces for more than 29 years. His last appointment with Malaysian Armed Forces was as the Director General of Malaysian Armed Forces Health Services

Name of Retiring Director	Dato' Farshila Emran	Daniel Ebinesan	Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)
Directorships in other public companies	None	None	None
Equity securities interested in Pharmaniaga Berhad and its subsidiaries	Please refer to page 185 of the Annual Report	Please refer to page 185 of the Annual Report	None
Family relationship with any directors and/or major shareholder of Pharmaniaga Berhad	None	None	None
Any conflict of interest with Pharmaniaga Berhad	None	None	None
List of convictions for offences (other than traffic offences, if any) within the past 10 years	None	None	None

2 DATE, TIME AND PLACE OF THE FOURTEENTH ANNUAL GENERAL MEETING

Date	:	Wednesday, 4 April 2012
Time	:	10.00 a.m.
Place	:	The Royale Bintang Damansara 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan

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PHARMANIAGA BERHAD (467709-M)
(Incorporated in Malaysia)

Form of Proxy

I/We, ______________________________ NRIC No.(New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member/members of PHARMANIAGA BERHAD hereby appoint ______________________________

______________________________ NRIC No.(New)/Company No.: ______________
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

or failing him, ______________________________ NRIC No.(New)/Company No.: ______________
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 14th Annual General Meeting of the Company to be held at The Royale Bintang Damansara, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 4 April 2012 at 10.00 a.m. and at any adjournment thereof.

I/We desire to vote as the Resolution set out in the Notice of Meeting and summarised below as indicated with an "X" in the appropriate space.

No.	Ordinary Resolution	For	Against
1	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon.		
2	To re-elect Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) who retires pursuant to Article 73 of the Company's Articles of Association.		
3	To re-elect Dato' Farshila Emran who retires pursuant to Article 88 of the Company's Articles of Association.		
4	To re-elect Daniel Ebinesan who retires pursuant to Article 88 of the Company's Articles of Association.		
5	To approve Directors' Fees.		
6	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7	To empower the Directors of the Company to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
8	To approve the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
9	To approve the Additional Shareholders' Mandate for Recurrent Related Party Transactions.		

No.	Special Resolution	For	Against
1	Amendments to the Articles of Association of the Company.		

Dated this ______________ day of ______________ 2012.

No. of ordinary shares held:		
CDS Account No.:		
Proportion of shareholdings to be represented by proxies	First Proxy: _______%	Second Proxy: _______%
Contact No.:		

____
Signature of Member / Common Seal

NOTES :

1 A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him/her. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name, address and NRIC No. of the person of your choice and at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.

2 The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.

3 Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respects of each omnibus account it holds.

4 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. The Annual Report and Form of Proxy are available for access and download at the Company's website at www.pharmaniaga.com

5 Only members registered in the Record of Depositors as at 28 March 2012 shall be eligible to attend the Meeting or appoint a proxy to attend and vote on his/her behalf.

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Affix Stamp
Here

Share Registrar

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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Pharmaniaga Berhad 467709-M

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Kawasan Perindustrian Bukit Raja Selatan
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