THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant, bank manager or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has approved the Proposed Regularisation Plan (as defined herein). The approval of Bursa Securities shall not be taken to indicate that Bursa Securities recommends the Proposed Regularisation Plan or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Circular. Shareholders should rely on their own evaluation to assess the merits and risks of the Proposed Regularisation Plan.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

pharmaniaga®

PHARMANIAGA BERHAD
(Registration No.: 199801011581 (467709-M))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(I) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN PHARMANIAGA BERHAD ("PHARMANIAGA" OR "THE COMPANY") ("RIGHTS SHARES") TO RAISE GROSS PROCEEDS OF UP TO RM353.5 MILLION ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER;

(II) PROPOSED PRIVATE PLACEMENT OF NEW ORDINARY SHARES IN PHARMANIAGA ("PLACEMENT SHARES") TO THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER TO RAISE GROSS PROCEEDS OF UP TO RM300.0 MILLION, WITH A MINIMUM OF RM215.0 MILLION; AND

(III) PROPOSED CAPITAL REDUCTION OF THE ISSUED SHARE CAPITAL OF THE COMPANY BY THE CANCELLATION OF RM520.0 MILLION ISSUED SHARE CAPITAL WHICH IS LOST AND/OR UNREPRESENTED BY AVAILABLE ASSETS PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016.

(COLLECTIVELY REFERRED TO AS THE "PROPOSED REGULARISATION PLAN")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

midf INVESTMENT

MIDF AMANAH INVESTMENT BANK BERHAD
(Registration No. 197501002077 (23878-X))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions in respect of the Proposed Regularisation Plan are set out in the Notice of the Company's Extraordinary General Meeting ("**EGM**") which is enclosed in this Circular. The EGM of Pharmaniaga will be held on Thursday, 20 March 2025 at 10.00 a.m. or at any adjournment thereof at the Royale Ballroom, Level 2, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan ("**Main Venue**"). This Circular is dispatched together with the Notice of the EGM and Proxy Form which are enclosed in this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf.

The Proxy Form must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Tuesday, 18 March 2025 at 10.00 a.m. The lodging of the completed Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day, date and time for lodging the Proxy Form	:	18 March 2025, at 10.00 a.m.
Day, date and time of the EGM	:	20 March 2025, at 10.00 a.m.

This Circular is dated 19 February 2025

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

General

Act	:	Companies Act 2016
BHB	:	Boustead Holdings Berhad (Registration No. 196001000193 (3871-H)), a wholly-owned subsidiary of LTAT
Board	:	The Board of Directors of Pharmaniaga
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This circular to the shareholders of Pharmaniaga dated 19 February 2025
CMSA	:	Capital Markets and Services Act 2007
Concession	:	The agreement of medical supply logistic services awarded by MoH to PLSB for the procurement, storage, supply and delivery of medical products to offices and facilities operated by MoH within Malaysia for a period of 7 years starting from 1 July 2023 up to 30 June 2030
COVID-19	:	Novel coronavirus disease, a type of dangerous infectious respiratory disease which first broke out in 2019
Director(s)	:	The director(s) of Pharmaniaga and shall have the meaning given in Section 2(1) of the CMSA
EGM	:	Extraordinary general meeting of the Company
Entitled Shareholders	:	Shareholders of Pharmaniaga whose names appear in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	:	A date to be determined and announced later by the Board, on which the names of the shareholders of Pharmaniaga must appear in the Record of Depositors of the Company as at 5:00 p.m. in order to be entitled to participate in the Proposed Rights Issue
EPS	:	Earnings per share
FPE	:	Financial period ended 30 September, as the case may be
FYE	:	Financial year ended 31 December, as the case may be
GL	:	Gross loss
Government	:	Government of Malaysia
GP	:	Gross profit
High Court	:	High Court of Malaya
IDR	:	Indonesian Rupiah

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LAT	:	Loss after taxation
LBT	:	Loss before taxation
LPD	:	31 January 2025, being the latest practicable date prior to the printing of this Circular
LTAT	:	Lembaga Tabung Angkatan Tentera, a statutory body established under the Tabung Angkatan Tentera Act 1973 (Act 101)
Market Day	:	A day between Monday and Friday (both inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities
Maximum Scenario A	:	Assuming RM215.0 million is raised from the Proposed Private Placement and all the outstanding 31,752,300 Options under the share option plan of the Company as at 31 December 2023 are exercised into new Shares prior to the Entitlement Date
Maximum Scenario B	:	Assuming RM300.0 million is raised from the Proposed Private Placement and all the outstanding 31,752,300 Options under the share option plan of the Company as at 31 December 2023 are exercised into new Shares prior to the Entitlement Date
MIDF Investment or Principal Adviser	:	MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X))
Minimum Scenario A	:	Assuming RM215.0 million is raised from the Proposed Private Placement and none of the outstanding 31,752,300 Options under the share option plan of the Company as at 31 December 2023 are exercised into new Shares prior to the Entitlement Date
Minimum Scenario B	:	Assuming RM300.0 million is raised from the Proposed Private Placement and none of the outstanding 31,752,300 Options under the share option plan of the Company as at 31 December 2023 are exercised into new Shares prior to the Entitlement Date
MoH	:	Ministry of Health, Malaysia
MOSTI	:	Ministry of Science & Technology Innovation, Malaysia
NA	:	Net assets
NPRA	:	National Pharmaceutical Regulatory Agency
Options	:	The outstanding share options granted under the share option plan of the Company which took effect on 13 May 2016 for a period of 5 years, and extended for another 5 years until 12 May 2026
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Pharmaniaga or the Company	:	Pharmaniaga Berhad (Registration No. 199801011581 (467709-M))
Pharmaniaga Group or the Group	:	Pharmaniaga and its subsidiaries, collectively

Pharmaniaga Share or Share	:	Ordinary share in Pharmaniaga
Placement Shares	:	New Pharmaniaga Shares to be issued pursuant to the Proposed Private Placement
Private Placement	:	Private placement of 131,020,866 Pharmaniaga Shares, representing 10% of the then total number of issued shares of Pharmaniaga to third-party investors which was completed on 24 July 2023
Private Placement to LTAT	:	Private placement of up to 144,122,952 new Pharmaniaga Shares representing 10% of the total number of issued shares of Pharmaniaga to LTAT which was rejected by Bursa Securities on 26 July 2023 and subsequently aborted by the Company
Proposed Private Placement	:	Proposed private placement of new Pharmaniaga Shares to third party investor(s) to be identified later at an issue price to be determined later to raise gross proceeds of up to RM300.0 million, with a minimum of RM215.0 million
PN17	:	Practice Note 17 of the Listing Requirements
Proposed Capital Reduction	:	The proposed capital reduction and cancellation of RM520.0 million of the issued share capital of Pharmaniaga which is lost and/or unrepresented by available assets pursuant to Section 117 of the Act
Proposed Regularisation Plan	:	The Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction, collectively
Proposed Rights Issue	:	The proposed renounceable rights issue of Rights Shares to raise gross proceeds of up to RM353.5 million on the Entitlement Date
Rights Shares	:	New Pharmaniaga Shares to be issued at an issue price to be determined later pursuant to the Proposed Rights Issue
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission Malaysia
Scenario A	:	Assuming RM215.0 million is raised from the Proposed Private Placement
Scenario B	:	Assuming RM300.0 million is raised from the Proposed Private Placement
Shareholders' Undertaking	:	The written undertaking from the Undertaking Shareholders in relation to subscription of entitlements pursuant to the Proposed Rights Issue. Details of the Shareholders' Undertaking are set out in Section 2 of this Circular
TERP	:	Theoretical ex-rights price
Undertaking Shareholders	:	LTAT and BHB
VWAMP	:	Volume weighted average market price

Technical glossary

Analgesic	:	Medication that relieves different types of pain
Anti-infective	:	Medication to prevent or treat infections
APPL	:	Approved Purchase Product List, which refers to a list of drugs and non-drugs selected by the MoH. Manufacturers and/or suppliers under the APPL are selected and appointed by MoH and the logistics services for delivery of these products are fulfilled by PLSB under the Concession
Bio equivalence	:	Biochemical similarity of 2 or more drugs that share the same active ingredients and desired outcomes
Biopharmaceutical products	:	Pharmaceuticals produced in biotechnological processes using molecular biology methods
Cardiovascular	:	System in the human body that relates to the heart and blood vessels
Consumables	:	Disposable, single use products
Decarbonisation Programme	:	The process of reducing or removing carbon emissions to help balance out the amount of greenhouse gas emissions in the atmosphere
Diabetes	:	A chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces
Diphtheria	:	An infection caused by strains of bacteria, namely Corynebacterium diphtheriae, which affects the respiratory tract
Disposable medical supplies	:	Single-use, disposable medical supplies that are designed to be used once and then discarded
Fill and finish	:	The process of filling vials with the intended drug and finishing the process of packaging the medicine for distribution.
Fourth-party logistics	:	An operational model in which a business outsources its entire supply chain management and logistics to 1 external service provider
Gastrointestinal	:	Refers to matters of the human digestive system (such as stomach and intestines)
Haemophilus B	:	A bacterium that causes life-threatening infection which can lead to serious illness, especially in children
Hepatitis B	:	An infection of the liver caused by the hepatitis B virus
Hexavalent Vaccine	:	A combination vaccine with six individual vaccines conjugated into 1 vaccine to protect people from multiple diseases, namely diphtheria, tetanus, pertussis, poliomyelitis, haemophilus B, and hepatitis B
HPV	:	Human Papillomavirus Vaccine, a vaccine which protects against genital warts and most cases of cervical cancer
Insulin	:	A hormone that regulates blood glucose
Over-the-counter	:	Medication that can be purchased without a medical prescription

Pertussis	:	A respiratory illness caused by a type of bacteria, Bordetella Pertussis
Pharmaceutical products	:	Products which consist of active ingredients, which are combined with additional materials (excipients) selected to control dosage delivery, enhance performance and facilitate manufacture
Pilot batch	:	Relates to small scale production run of a product to evaluate the designed production process
Pilot manufacturing	:	Relates to the manufacturing of products on a smaller scale production to assess and address issues that are identified before proceeding to a full-scale production run
PCV-13	:	Pneumococcal Conjugate Vaccine (PCV-13), a vaccine which protects against infection by the pneumococcus bacteria
Poliomyelitis	:	A disabling and life-threatening disease caused by the poliovirus
Principal	:	Refers to the companies who produce drug or non-drug products for the purpose of distribution by Pharmaniaga
Respiratory	:	Relates to the matters involving respiration, and its major components which include the nose, mouth, throat, voice box, windpipe and lungs
Solvents	:	Any substance, usually liquid, which is capable of dissolving 1 or several substances to create a solution
Tetanus	:	An infection caused by bacteria, namely Clostridium tetani
Vaccine	:	A substance used to stimulate immunity to a particular infectious disease or pathogen

Subsidiaries of Pharmaniaga

BCTSB	:	Bio-Collagen Technologies Sdn Bhd (Registration No. 200401035806 (674317-K)), a wholly-owned subsidiary of the Company
IPMSB	:	Idaman Pharma Manufacturing Sdn Bhd (Registration No. 200401023395 (661901-P)), a wholly-owned subsidiary of the Company
PBSB	:	Pharmaniaga Biomedical Sdn Bhd (Registration No. 199601027413 (399765-P)), a wholly-owned subsidiary of the Company
PICSB	:	Pharmaniaga International Corporation Sdn Bhd (Registration No. 200401011114 (649617-A)), a wholly-owned subsidiary of the Company
PLSB	:	Pharmaniaga Logistics Sdn Bhd (Registration No. 199301006053 (260790-T)), a wholly-owned subsidiary of the Company
PLSSB	:	Pharmaniaga LifeScience Sdn Bhd (Registration No. 198201002939 (82685-T)), a wholly-owned subsidiary of the Company
PMB	:	Pharmaniaga Manufacturing Berhad (Registration No. 198001006232 (60016-D)), a wholly-owned subsidiary of the Company
PMSB	:	Pharmaniaga Marketing Sdn Bhd (Registration No. 198401005734 (118254-D)), a wholly-owned subsidiary of the Company

PPSB	:	Pristine Pharma Sdn Bhd (Registration No. 198301016096 (111488-X)), a wholly-owned subsidiary of the Company
PPSCL	:	Pharmaniaga Pegasus (Seychelles) Co. Ltd, a wholly-owned subsidiary of the Company
PRCSB	:	Pharmaniaga Research Centre Sdn Bhd (Registration No. 199801001031 (457157-V)), a wholly-owned subsidiary of the Company

Subsidiary of PPSB

PISB	:	Paradigm Industry Sdn Bhd (Registration No. 201601024818 (1195757-X)), a wholly-owned subsidiary of PPSB

Subsidiaries of PICSB

PEP	:	PT Errita Pharma, a part of the Company's operations in Indonesia
PMPT	:	PT Millennium Pharmacon International Tbk, a part of the Company's operations in Indonesia

Subsidiary of PMPT

PDPAI	:	PT Digital Pharma Andalan Indonesia, a part of the PMPT's operations in Indonesia

References to "we", "us", "our" and "ourselves" are to the Company, and where the context otherwise requires, our subsidiaries. All references to "you" are to our shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved.

TABLE OF CONTENTS

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THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED REGULARISATION PLAN. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS TOGETHER WITH THE APPENDICES OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED REGULARISATION PLAN TO BE TABLED AT THE FORTHCOMING EGM.

Key information	Summary	Reference to this Circular
Details of the Proposed Regularisation Plan	(i) The Proposed Rights Issue; (ii) The Proposed Private Placement; and (iii) The Proposed Capital Reduction.	Section 2
Details of the Proposed Rights Issue	The Proposed Rights Issue entails an issuance of Rights Shares on a renounceable basis to raise gross proceeds of up to RM353.5 million. For illustrative purposes, the illustrative issue price for Rights Shares is RM0.10. Meanwhile, the illustrative entitlement basis for Rights Shares is 12 Rights Shares for every 5 existing Shares. The Proposed Rights Issue will be undertaken on a full subscription basis via: (i) Shareholders' Undertaking for the entitlements to be subscribed by the Undertaking Shareholders; and (ii) Underwriting arrangements with underwriter(s) for the remaining portion not subject to the Shareholders' Undertaking.	Section 2.1
Details of the Proposed Private Placement	The Proposed Private Placement entails an issuance of Placement Shares to third party investor(s) to be identified later at an issue price to be determined later to raise gross proceeds of up to RM300.0 million, with a minimum of RM215.0 million. The total number of Placement Shares will be determined after the issue price has been finalised.	Section 2.2
Details of the Proposed Capital Reduction	The Proposed Capital Reduction entails the cancellation of RM520.0 million issued share capital of Pharmaniaga which is lost and/or unrepresented by available assets pursuant to Section 117 of the Act.	Section 2.3

<table>
<tr><th>Key information</th><th>Summary</th><th>Reference to this Circular</th></tr>
<tr><td></td><td>The enlarged issued share capital and the enlarged number of Pharmaniaga Shares after the Proposed Rights Issue and the Proposed Private Placement based on Minimum Scenario A, Maximum Scenario A, Minimum Scenario B and Maximum Scenario B are as follows:

<table>
<tr><th></th><th>Enlarged issued share capital (RM'mil)</th><th>Enlarged number of Pharmaniaga Shares ('mil)</th></tr>
<tr><td>Minimum Scenario A</td><td>751.5</td><td>6,435.9</td></tr>
<tr><td>Maximum Scenario A</td><td>789.5</td><td>6,543.9</td></tr>
<tr><td>Minimum Scenario B</td><td>834.4</td><td>7,043.0</td></tr>
<tr><td>Maximum Scenario B</td><td>872.4</td><td>7,151.0</td></tr>
</table>
The corresponding credit of RM520.0 million arising from the Proposed Capital Reduction will reduce the accumulated losses of Pharmaniaga Group.</td><td></td></tr>
<tr><td>Utilisation of proceeds from the Proposed Rights Issue and the Proposed Private Placement</td><td>Based on the illustrative entitlement basis of 12 Rights Shares for every 5 existing Shares, illustrative issue price of RM0.10 per Rights Share and illustrative issue price of RM0.14 per Placement Share, the Proposed Rights Issue and Proposed Private Placement are expected to raise proceeds of a minimum of RM560.9 million to RM653.5 million which the Company proposes to be utilised in the following manner:

<u>Scenario A</u>

<table>
<tr><th>Utilisation of proceeds</th><th>Minimum Scenario A

RM'000</th><th>Maximum Scenario A

RM'000</th><th>Expected time frame for the utilisation from the date of receipt of proceeds</th></tr>
<tr><td>Part repayment of existing borrowing commitments</td><td>250,000</td><td>250,000</td><td>Within 12 months</td></tr>
<tr><td>Working capital</td><td>72,615</td><td>80,236</td><td>Within 12 months</td></tr>
<tr><td>Business expansion</td><td>222,000</td><td>222,000</td><td>Within 24 months</td></tr>
<tr><td>Defray estimated expenses</td><td>16,280</td><td>16,280</td><td>Within 1 month</td></tr>
<tr><td>Total</td><td>560,895</td><td>568,516</td><td></td></tr>
</table></td><td>Section 3</td></tr>
</table>

<table>
<tr><th>Key information</th><th>Summary</th><th>Reference to this Circular</th></tr>
<tr><td></td><td>
<u>Scenario B</u>
<table>
<tr><th>Utilisation of proceeds</th><th>Minimum Scenario B

RM'000</th><th>Maximum Scenario B

RM'000</th><th>Expected time frame for the utilisation from the date of receipt of proceeds</th></tr>
<tr><td>Part repayment of existing borrowing commitments</td><td>335,000</td><td>335,000</td><td>Within 12 months</td></tr>
<tr><td>Working capital</td><td>72,615</td><td>80,236</td><td>Within 12 months</td></tr>
<tr><td>Business expansion</td><td>222,000</td><td>222,000</td><td>Within 24 months</td></tr>
<tr><td>Defray estimated expenses</td><td>16,280</td><td>16,280</td><td>Within 1 month</td></tr>
<tr><td>Total</td><td>645,895</td><td>653,516</td><td></td></tr>
</table>
</td><td></td></tr>
<tr><td>Rationale for the Proposed Regularisation Plan</td><td>
The Proposed Regularisation Plan aims to resolve the financial challenges faced by the Group, ultimately resulting in the Group's improved financial condition, enhanced cash flow position, and return to profitability.

The rationale for the Proposed Regularisation Plan is as follows:

(i) The Proposed Rights Issue will:

(a) enable the Company to raise the requisite funds without incurring additional interest expense or service principal repayments;

(b) reduce the gearing of the Group due to an increase in the NA of the Group;

(c) provide the Entitled Shareholders with an opportunity to further increase their equity participation in the Company on a pro-rata basis; and

(d) on a stand-alone basis, enable the issuance of new Pharmaniaga Shares without diluting shareholders' equity interest.

(ii) The Proposed Private Placement will:

(a) enable the Company to raise the requisite funds without incurring additional interest expense or service principal repayments;

(b) reduce the gearing of the Group due to an increase in the NA of the Group;
</td><td>Section 4</td></tr>
</table>

Key information	Summary	Reference to this Circular
	(c) serves as an additional remedial effort undertaken by the Company to address the Group's funding needs; and (d) to strengthen the financial position and capital base of the Group. (iii) The Proposed Capital Reduction serves to rationalise the financial position of the Company by reducing the accumulated losses.	
Risk factors	The Proposed Regularisation Plan is subject to, amongst others, the following risks: (i) The Group is exposed to risk of non-continuation of the Concession; (ii) The Group is exposed to the risk of loss of business as the pharmaceutical industry is highly competitive and regulated; (iii) The Group is exposed to financial risks as its business operations are capital intensive as it requires substantial investment and cash flow for its working capital, research and development ("**R&D**"), procurement of active pharmaceutical ingredients ("**API**") and other related materials including new equipment and machineries; and (iv) The Group is exposed to the non-completion of the regularisation plan as the upliftment of the PN17 status is largely dependent on the timely implementation of the Proposed Regularisation Plan.	Section 9
Approvals required	The Proposed Regularisation Plan is subject to the following approvals being obtained: (i) Bursa Securities, which was obtained vide its letters dated 29 November 2024 and 17 February 2025, for the following: (a) the Proposed Regularisation Plan; and (b) the listing of and quotation for up to 3,535,156,382 Rights Shares and up to 2,142,857,143 Placement Shares on the Main Market of Bursa Securities; and	Section 10

Key information	Summary	Reference to this Circular

subject to the following conditions:

No.	Conditions	Status of compliance
1.	Pharmaniaga and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Regularisation Plan.	To be complied
2.	Pharmaniaga and MIDF Investment to confirm all approvals of relevant authorities have been obtained for the implementation of the Proposed Regularisation Plan and furnish a copy of all approval letters from the relevant authorities.	To be complied
3.	Pharmaniaga and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the general meeting for the Proposed Regularisation Plan.	To be complied
4.	Pharmaniaga and MIDF Investment to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for the Rights Shares and Placement Shares to be issued pursuant to the Proposed Regularisation Plan and furnish Bursa Securities with a copy of the public shareholding spread pursuant to Appendix 8E of the Listing Requirements upon completion of the Proposed Regularisation Plan.	To be complied
5.	Pharmaniaga and MIDF Investment to inform Bursa Securities upon the completion of the Proposed Regularisation Plan and furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval.	To be complied

(ii) the shareholders of Pharmaniaga for the Proposed Regularisation Plan (inclusive of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction) at the EGM to be convened; and

(iii) any other relevant authorities and/or parties, if required and the fulfilment of all conditions attached to such approvals, if any.

Key information	Summary	Reference to this Circular
	For the avoidance of doubt, the Proposed Capital Reduction is not subject to the approval of the High Court, as it will be undertaken pursuant to Section 117 of the Act. Subject and subsequent to the approval of the Proposed Capital Reduction by the shareholders at the forthcoming EGM, the effective date of the Proposed Capital Reduction will be the date when the Registrar of Companies records the information lodged relating to the reduction of capital in the appropriate register in accordance to Section 119 of the Act.	
Interests of directors, major shareholders, chief executive and/or persons connected with them	None of the directors, major shareholders, chief executive of Pharmaniaga and/or persons connected with them have any interest, direct or indirect, in the Proposed Regularisation Plan apart from their respective entitlements under the Proposed Rights Issue, to which all Entitled Shareholders are similarly entitled.	Section 13
Directors' statement and recommendation	The Board having considered all aspects of the Proposed Regularisation Plan, including but not limited to the current and prospective financial position and needs of the Company and rationale of the Proposed Regularisation Plan, is of the opinion that the Group will have sufficient working capital available for a period of 12 months from the date of this Circular and the Proposed Regularisation Plan is in the best interests of the Company, and that barring unforeseen circumstances, the Group will be able to record a net profit in 2 consecutive quarterly results immediately after the timely completion of the Proposed Regularisation Plan. Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposed Regularisation Plan to be tabled at the forthcoming EGM.	Section 14

PHARMANIAGA BERHAD
(Registration No. 199801011581 (467709-M))
(Incorporated in Malaysia)

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

19 February 2025

Board of Directors:

Dato' Seri Abdul Razak Jaafar	*(Independent Non-Executive Chairman)*
Zulkifli Jafar	*(Managing Director)*
Dr. Abdul Razak Ahmad	*(Senior Independent Non-Executive Director)*
Izaddeen Daud	*(Non-Independent Non-Executive Director)*
Sarah Azreen Abdul Samat	*(Independent Non-Executive Director)*
Mohammad Ashraf Md. Radzi	*(Non-Independent Non-Executive Director)*
Dato' Mohd Zahir Zahur Hussain	*(Independent Non-Executive Director)*
Dato' Dr Faridah Aryani Md Yusof	*(Independent Non-Executive Director)*
Drs Imam Fathorrahman	*(Independent Non-Executive Director)*
Dato' Seri Dr Hj Awaludin Said	*(Independent Non-Executive Director)*
Dr Mary Jane Cardosa	*(Independent Non-Executive Director)*
Mohd Firdaus Zulkifli	*(Non-Independent Non-Executive Director) (Alternate to Mohammad Ashraf Md. Radzi)*

To: The shareholders of Pharmaniaga

Dear Sir/Madam,

PROPOSED REGULARISATION PLAN

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1. INTRODUCTION

On 27 and 28 February 2023, the Board announced that the Company had triggered the prescribed criteria under Paragraph 2.1(a) of PN17 whereby the shareholders' equity of the Company on a consolidated basis was less than RM40.0 million and represented less than 25% of its issued share capital based on its unaudited consolidated financial statements for the FYE 2022 ("**Announcement on PN17**").

On 28 March 2023, the Board announced that MIDF Investment has been appointed as the principal adviser for the Proposed Regularisation Plan to regularise the Company's financial condition and level of operations in accordance with Paragraph 8.04(3) of the Listing Requirements.

Further, as announced by the Board on 2 May 2023, apart from the prescribed criteria under Paragraph 2.1(a) of PN17, the Company had also triggered the prescribed criteria under Paragraph 2.1(e) of PN17 as PricewaterhouseCoopers PLT, the previous external auditor of the Company, had issued an unmodified audit opinion with emphasis of matter on material uncertainty related to the Company's ability to continue as a going concern in the Company's audited financial statements for the FYE 2022.

Subsequently on 26 May 2023, the Board announced that the Company is formulating a regularisation plan which will not result in a significant change in the business direction or policy of the Company.

On 13 June 2023, on behalf of the Board, MIDF Investment had announced that the Company proposed to undertake the Private Placement. On 21 July 2023, the Company announced that the entire 131,020,866 Pharmaniaga Shares have been issued and subscribed at the issue price of RM0.35 per Pharmaniaga Share, raising approximately RM45.9 million. On 24 July 2023, the Private Placement was completed following the listing and quotation of 131,020,866 Pharmaniaga Shares on the Main Market of Bursa Securities.

On 29 November 2023, on behalf of the Board, MIDF Investment had made the requisite announcement pursuant to Paragraph 4.2 of PN17 ("**Requisite Announcement**"), whereby the Company proposes to undertake the Proposed Regularisation Plan to regularise its financial condition and level of operations in accordance with Paragraph 8.04(3) of the Listing Requirements. The Proposed Regularisation Plan comprises the following:

(i) Proposed Capital Reduction;
(ii) Proposed Rights Issue with Warrants; and
(iii) Proposed Private Placement.

On 19 February 2024, due to the share price movements, MIDF Investment had on behalf of the Board, announced the amended Requisite Announcement detailing the revisions to entitlement basis and issue price of the Rights Shares and the Placement Shares in order to provide flexibility to the Board in respect of the entitlement basis and pricing of the Rights Shares ("**Second Requisite Announcement**").

On 6 November 2024, MIDF Investment had on behalf of the Board, announced further amendments to the Requisite Announcement detailing mainly revisions to the amount of share capital reduction, sequence of implementation of the proposals and removal of Warrants from the Proposed Rights Issue with Warrants ("**Third Requisite Announcement**").

On 29 November 2024, on behalf of the Board, MIDF Investment had announced that Bursa Securities had, vide its letter dated 29 November 2024, resolved to approve the following:

(i) the proposed regularisation plan; and
(ii) the listing of and quotation for up to 1,683,407,801 Rights Shares and up to 967,741,936 Placement Shares on the Main Market of Bursa Securities,

subject to the conditions stated in the letter from Bursa Securities.

On 4 February 2025, MIDF Investment had on behalf of the Board, announced further amendments to the Requisite Announcement detailing the revisions to the range of proceeds to be raised for the Proposed Private Placement and the illustrative number of Rights Shares and Placement Shares to be issued pursuant to the proposals ("**Fourth Requisite Announcement**").

On 17 February 2025, on behalf of the Board, MIDF Investment had announced that Bursa Securities had, vide its letter dated 17 February 2025, resolved to approve the following:

(i) the Proposed Regularisation Plan based on the variation as per the Fourth Requisite Announcement; and
(ii) the listing of and quotation for up to 3,535,156,382 Rights Shares and up to 2,142,857,143 Placement Shares on the Main Market of Bursa Securities,

subject to the conditions as stated in Section 10 of this Circular.

1.1 Events and factors leading to PN17

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. The COVID-19 pandemic had negatively impacted Malaysia and hence, the Government implemented several measures to contain the spread of COVID-19 in the country. One of the measures implemented include compulsory COVID-19 vaccination for all residents in Malaysia.

The procurement of the vaccines was carried out during first phase of the movement control order conducted by the Government in the 1st quarter of 2020. During this period, the Group worked closely with the authorities, such as, amongst others, a special committee set up with MoH for ensuring access to COVID-19 vaccine supply and the supply and distribution of the Sinovac COVID-19 vaccines. The Group underwent a stringent and thorough decision-making process which includes obtaining the Board's approval, prior to entering into the sale and purchase agreements with the supplier of the Sinovac COVID-19 vaccine and the MoH.

Pursuant to the above, the Group was initially requested by MoH to supply 12 million doses of manufacture fill and finish Sinovac COVID-19 vaccines between April to October 2021. The Group manufactured approximately 14 million doses of fill and finish Sinovac COVID-19 vaccines. Further, the Government had requested the Group to secure additional doses of Sinovac COVID-19 vaccines to expedite the vaccination program. The Group fulfilled this request by purchasing an additional 10 million doses of finished goods Sinovac COVID-19 vaccines.

During the peak of Malaysia's vaccination period between the months of July to August 2021, the Group delivered the highest number of COVID-19 vaccine doses to support the slow delivery of vaccines from other manufacturers. As at 21 July 2021, the Group managed to supply a total of 12.4 million doses, which was slightly more than initially requested by MoH and 4 months ahead of the initial contract schedule of October 2021. This was achieved by delivering 4 million doses of fill and finish Sinovac COVID-19 vaccine and 8.4 million doses of finished goods Sinovac COVID-19 vaccines. The request from MoH to expedite the deliveries of Sinovac COVID-19 vaccines through both fill and finish and finished goods disrupted the process of procurement of COVID-19 vaccines. Nevertheless, as per the agreement with the supplier of the Sinovac COVID-19 vaccine, the Group continued to produce the fill and finish doses until the completion of the total 14 million doses of bulk products purchased earlier.

Upon completion of the delivery for 12.4 million doses, MoH had requested an additional 8 million doses through its letter dated 19 July 2021, bringing the total delivery of Sinovac COVID-19 vaccines to MoH to 20.4 million doses, consisting of 7.3 million doses of fill and finish and 13.1 million doses of finished goods Sinovac COVID-19 vaccines.

Concurrently, the total projected volume for the private market was estimated at 13.3 million doses, based on submissions of letter of intents from various state governments, private healthcare, and corporations. Nonetheless, the Group was not allowed to sell to the private market until the Group had fulfilled its commitment to the Government. As Malaysia had achieved herd immunity in 2022, the Group only sold 2.3 million doses of the Sinovac COVID-19 vaccine to the private sector by the end of 2021.

Additionally, 9 million doses were allocated for the vaccination of adolescents aged between 12-17 years old and children aged 5-11 years old as well as booster injection for the 10 million population who received Sinovac COVID-19 vaccine as their primary vaccination. Unfortunately, the announcement of a heterologous or mixed vaccines policy for booster vaccination by the Government on 4 October 2021, and the earlier approval of the Pfizer-BioNtech Comirnaty vaccines for adolescents and children had affected the demand for Sinovac COVID-19 vaccines.

The Group had taken all the necessary considerations in procuring the COVID-19 vaccines while concurrently balancing its non-vaccine related obligations to the Government. As the demand for COVID-19 vaccines took place during the national state of emergency period and supplies were tight, ensuring sufficient supply was the Group's primary consideration.

On 1 April 2022, Malaysia had entered the endemic phase whereby all economic sectors were allowed to operate and travel restrictions were relaxed, subject to adherence to the relevant standard operating procedures and guidelines. As Malaysia entered into its endemic phase, the second booster vaccination rate decreased. Aside from that, the mixed vaccine policies that prioritise Pfizer vaccines have led to low demand on Sinovac vaccines. Both factors have caused the Group to have excess inventory and incur large losses due to provision for slow-moving inventories of the Sinovac vaccine. The provision for slow-moving inventories was determined based on the low take up rate of the Sinovac COVID-19 vaccine.

Consequently, the Group recognised provision for slow-moving inventories of the Sinovac COVID-19 vaccine of RM552.3 million for the FYE 2022. This recognition has led the Group to record loss after taxation and accumulated losses for the FYE 2022. These factors, coupled with the increase in the Group's bank borrowings, resulted in the Group recording a net liability position of RM227.4 million for the FYE 2022.

The provision for slow-moving inventories together with the increase in total current borrowings of RM552.3 million and RM398.2 million respectively, have led the Group recording total current liabilities of RM1,820.2 million and total current assets of RM1,188.1 million as at 31 December 2022, which resulted in net current liabilities position of RM632.1 million.

Further details of the Proposed Regularisation Plan are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR TOGETHER WITH THE APPENDICES IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED REGULARISATION PLAN TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED REGULARISATION PLAN AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED REGULARISATION PLAN TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED REGULARISATION PLAN

The Board proposes to undertake the Proposed Regularisation Plan as set out below. The Proposed Capital Reduction is proposed to be undertaken after the completion of the Proposed Rights Issue and the Proposed Private Placement.

(a) Proposed Rights Issue;
(b) Proposed Private Placement; and
(c) Proposed Capital Reduction.

2.1 Proposed Rights Issue

2.1.1 Basis and number of Rights Shares to be issued

The Proposed Rights Issue entails the issuance of Rights Shares to raise gross proceeds of up to RM353.5 million to the Entitled Shareholders and/or their renouncee(s), if any, on an entitlement basis and issue price for the Rights Shares to be determined later after obtaining all relevant approvals but before the announcement of the Entitlement Date.

The minimum total gross proceeds required from the Proposed Rights Issue of RM345.9 million, has been determined upfront while the entitlement basis and the issue price of the Rights Shares have not been determined and fixed at this juncture. This is to provide flexibility to the Board in respect of the entitlement basis and pricing of the Rights Shares. Due to the potential share price fluctuations of Pharmaniaga Shares, the Board believes that pricing the Rights Shares closer to the implementation of the Proposed Rights Issue will enable the issue price to be more reflective of the prevailing market prices of Pharmaniaga Shares at that point of time. An announcement on the final entitlement basis, issue price and book closure date is expected to be made after the forthcoming EGM but before the issuance of an abridged prospectus pursuant to the Proposed Rights Issue.

The actual number of Rights Shares to be issued and the actual capital outlay will depend on the final entitlement basis and issue price for the issuance of Rights Shares.

As at the LPD, Pharmaniaga has an issued share capital of RM200,046,288 comprising 1,441,229,526 Shares and as at 31 December 2023, Pharmaniaga has 31,752,300 outstanding Options. Based on the total gross proceeds to be raised under the Maximum Scenario A and Maximum Scenario B for the Proposed Rights Issue of up to RM353.5 million, the illustrative issue price for Rights Shares is RM0.10 and consequentially, the illustrative entitlement basis for Rights Shares is 12 Rights Shares for every 5 existing Shares.

Based on the Maximum Scenario A and Maximum Scenario B, the Proposed Rights Issue would entail the issuance of up to 3,535,156,382 Rights Shares. On the other hand, based on the Minimum Scenario A and Minimum Scenario B, the Proposed Rights Issue would entail the issuance of up to 3,458,950,862 Rights Shares.

Any fractional entitlements arising from the Proposed Rights Issue shall be dealt with in a fair and equitable manner and on terms as the Board, in its absolute discretion, deems fit and expedient as well as in the best interest of the Company.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Right Shares in full or in part.

The Rights Shares which are not taken up or validly taken up will be made available for excess application by other Entitled Shareholders and/or their renouncee(s). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

The Proposed Rights Issue will not be implemented in stages.

2.1.2 Basis of determining and justification for the entitlement basis of the Rights Shares and issue price of the Rights Shares

a. Entitlement basis of the Rights Shares

The minimum total gross proceeds required has been determined upfront while the entitlement basis for the Proposed Rights Issue has not been determined and fixed at this juncture.

The final entitlement basis for the Rights Shares shall be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date after taking into consideration the final issue price of the Rights Shares.

For illustrative purposes only, the entitlement basis for the Rights Shares is assumed at 12 Rights Shares for every 5 existing Shares held throughout this Circular.

b. Issue price of the Rights Shares

The issue price will be determined and fixed by the Board at a later stage, after taking into consideration, amongst others, the following:

(i) the funding requirements of the Group as set out in **Section 3** of this Circular;
(ii) the Company's existing PN17 status;
(iii) the prevailing market conditions; and
(iv) the 5-day VWAMP of Pharmaniaga Shares immediately preceding the price fixing date.

The Company proposes to determine the issue price for the Rights Shares based on the following parameters:

(i) Minimum total proceeds to be raised of RM560.9 million together with the Proposed Private Placement; and

(ii) Discount rates for the issue price for the Rights Shares will be determined based on the TERP calculated based on 5-day VWAMP of Pharmaniaga Shares prior to the price-fixing date.

For the issue price for the Rights Shares, it shall be at a discount of up to 35% to the TERP of Pharmaniaga Shares, which shall be determined by the Board at a later date, taking into consideration the need to price the Rights Shares at an issue price deemed attractive to encourage subscription of the Rights Shares and to raise the necessary funds required for the proposed utilisation of proceeds.

For illustrative purposes, the illustrative issue price of RM0.10 per Rights Share represents a discount of approximately 32.1% to the TERP of Pharmaniaga Shares of RM0.1473, calculated based on the 5-day VWAMP of Pharmaniaga Shares up to and including 3 March 2023 of RM0.2607, being the lowest 5-day VWAMP of Pharmaniaga Shares of the period between the Announcement on PN17 to the LPD. As at the LPD, the closing price of Pharmaniaga Shares is RM0.320.

In addition, the illustrative issue price of RM0.10 per Rights Share represents the following discount to the respective TERP based on the respective VWAMP of Pharmaniaga Shares up to and including 3 March 2023:

	VWAMP	**TERP (adjusted based on VWAMP)**	**Discount of the illustrative issue price to the TERP**	
	RM	**RM**	**RM**	**%**
5-day VWAMP	0.2607	0.1473	0.0473	32.1
1-month VWAMP	0.2809	0.1532	0.0532	34.7
3-month VWAMP	0.3295	0.1675	0.0675	40.3
6-month VWAMP	0.3390	0.1703	0.0703	41.3
12-month VWAMP	0.4710	0.2091	0.1091	52.2

(Source: Bloomberg)

The abovementioned illustrative entitlement basis of the Rights Shares and illustrative issue price of the Rights Shares are used throughout this Circular purely for illustrative purposes and should not be regarded as an indication or reference to the final entitlement basis for the Rights Shares and the final issue price of the Rights Shares.

2.1.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Pharmaniaga Shares including the entitlements to dividends, rights, allotments or other distributions, except that such Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which is before the date of allotment of such Rights Shares.

2.1.4 Listing of and quotation for the Rights Shares

Bursa Securities had vide its letter dated 17 February 2025, approved the listing of and quotation for up to 3,535,156,382 Rights Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in **Section 10** of this Circular.

It is intended for the Rights Shares to be listed and quoted concurrently with the Placement Shares.

2.1.5 Irrevocable undertaking by the Undertaking Shareholders and underwriting arrangements

The Board has determined to undertake the Proposed Rights Issue on a full subscription basis to raise the maximum gross proceeds from the Proposed Rights Issue and will procure underwriting for the remaining Rights Shares which are not subject to the Shareholders' Undertaking. Details of the Shareholders' Undertaking are as follows:

(a) BHB, a substantial shareholder of Pharmaniaga, had via its letter dated 19 February 2024, provided an irrevocable undertaking to subscribe in full for its entitlements as at the Entitlement Date under the Proposed Rights Issue based on its shareholding of 679,152,075 Pharmaniaga Shares as at the LPD, at an issue price to be determined by Pharmaniaga ("**BHB's Undertaking Letter**"). BHB's undertaking for its entitlement is to be capped at RM163.0 million in value of Rights Shares;

(b) LTAT, a substantial shareholder of Pharmaniaga, had via its letter dated 26 August 2024, provided an irrevocable undertaking to subscribe in full for its entitlements as at the Entitlement Date under the Proposed Rights Issue based on its shareholding of 112,916,620 Pharmaniaga Shares as at the LPD, at an issue price to be determined by Pharmaniaga (**"LTAT's Undertaking Letter"**). LTAT's undertaking for its entitlement is to be capped at RM27.1 million in value of Rights Shares; and

(c) In the event that LTAT does not subscribe in full for its entitlement, LTAT may assign the unsubscribed portion to BHB to ensure that the entitlement for LTAT and BHB are fully subscribed. In any event, LTAT and BHB shall ensure that their combined percentage of shareholdings after the Proposed Rights Issue but prior to the issuance of new Pharmaniaga Shares pursuant to the Proposed Private Placement is maintained at the combined percentage of shareholdings as at 19 February 2024, being the date of the BHB's Undertaking Letter and 26 August 2024, being the date of LTAT's Undertaking Letter.

The details of capital outlay based on the Shareholders' Undertaking are as follows:

Shareholders	Shareholdings as at the LPD		Entitlement under the Proposed Rights Issue [2]	Capital outlay required [3]
	No. of Pharmaniaga Shares	%[1]	No. of Rights Shares	RM
BHB	679,152,075	47.1	1,629,964,980	162,996,498
LTAT	112,916,620	7.8	270,999,888	27,099,989
Total	792,068,695	54.9	1,900,964,868	190,096,487

Notes:

(1) Based on the existing issued share capital of 1,441,229,526 Shares as at the LPD.

(2) Based on an illustrative entitlement basis of 12 Rights Shares for every 5 Pharmaniaga Shares held.

(3) Based on the illustrated issue price of RM0.10 per Rights Share.

As indicated above, the Proposed Rights Issue is undertaken on a full subscription basis together with underwriting arrangement and hence the subscription of the Rights Shares by the Undertaking Shareholders will not give rise to any consequences of mandatory general offer obligations pursuant to the Malaysian Code on Take-Overs and Mergers 2016 ("**Code**") and the Rules on Take-Over, Mergers and Compulsory Acquisitions ("**Rules**") issued by the SC.

Further details of the pro forma shareholdings of LTAT and BHB in Pharmaniaga are set out in **Section 6.5** of this Circular.

As the Proposed Rights Issue is undertaken on a full subscription basis, the Shareholders' Undertaking will not give rise to any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) or listed units are in the hands of public security holders.

Underwriting arrangements with underwriter(s) that include MIDF Investment for the remaining portion of the Rights Shares which are not subject to Shareholders' Undertaking will be finalised at a later date and an underwriting agreement will be entered into. The underwriting commission and all associated costs in relation to the underwriting agreement shall be fully borne by Pharmaniaga. Such underwriting arrangements and commission will be in place prior to the implementation of the Proposed Rights Issue, details of which will be set out in the abridged prospectus to be issued for the Proposed Rights Issue.

BHB and LTAT has confirmed, vide their letters dated 19 February 2024 and 26 August 2024, respectively, that they have sufficient financial resources to fulfil their obligation under the Shareholders' Undertaking and MIDF Investment, being the Principal Adviser for the Proposed Rights Issue, has verified the said confirmations. BHB and LTAT also will observe and comply at all times with the provisions of the Rules issued by the SC.

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2.2 Proposed Private Placement

The Proposed Private Placement entails the issuance of the Placement Shares to third party investor(s) to be identified later at an issue price to be determined later, to raise gross proceeds of up to RM300.0 million, with a minimum of RM215.0 million.

The total number of Placement Shares to be issued will be determined later after taking into consideration the issue price to be finalised later.

For avoidance of doubt, the Company does not hold any treasury shares as at the LPD.

The Proposed Private Placement will not be implemented in stages.

2.2.1 Basis and justification of determining the issue price of the Placement Shares

The issue price will be determined and fixed by the Board at a later stage after taking into consideration, amongst others, the following:

(i) the funding requirements of the Group as set out in **Section 3** of this Circular;
(ii) the Company's existing PN17 status;
(iii) the prevailing market conditions; and
(iv) the 5-day VWAMP of Pharmaniaga Shares immediately preceding the price-fixing date.

The Company proposes to determine the issue price for the Placement Shares based on the following parameters:

(i) Minimum total proceeds to be raised of RM560.9 million together with the Proposed Rights Issue; and

(ii) Issue price for the Placement Shares is intended to be higher than the issue price for the Rights Shares but not more than 10% discount to the TERP calculated based on 5-day VWAMP of Pharmaniaga Share prior to the price-fixing date.

For illustration purposes, the illustrative issue price of RM0.14 per Placement Share would represent a discount of approximately 5.0% to the TERP of Pharmaniaga Shares of RM0.1473, calculated based on the 5-day VWAMP of Pharmaniaga Shares up to and including 3 March 2023 of RM0.2607, being the lowest 5-day VWAMP of Pharmaniaga Shares of the period between the Announcement on PN17 to the LPD.

The indicative pricing for the Placement Shares will be higher than the issue price for the Rights Shares in view that the third-party investors to be identified for the Proposed Private Placement are new investors of Pharmaniaga. In addition, a lower indicative price to be accorded on the Rights Shares as compared to the indicative issue price for the Placement Shares is to reward Pharmaniaga's existing shareholders for their continuous support to the Company.

2.2.2 Allocation to third party investor(s)

The Placement Shares will be placed out to third-party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/which qualify under Schedules 6 and 7 of the CMSA.

Additionally, the Placement Shares will not be placed out to the following parties:

(a) Director, major shareholder or chief executive of Pharmaniaga or a holding company of Pharmaniaga, where applicable ("**Interested Persons**");
(b) any person connected with the Interested Persons; and
(c) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The third-party investor(s) have yet to be identified at this juncture, however the Company is in discussions with several potential investor(s) for the Proposed Private Placement. The Proposed Private Placement will not give rise to any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) or listed units are in the hands of public security holders.

2.2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Pharmaniaga Shares including the entitlements to dividends, rights, allotments or other distributions, except that such Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid, the entitlement date of which is before the date of allotment and issuance of the Placement Shares.

2.2.4 Listing of and quotation for the Placement Shares

Bursa Securities had vide its letter dated 17 February 2025, approved the listing of and quotation for up to 2,142,857,143 Placement Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in **Section 10** of this Circular.

It is intended for the Placement Shares to be listed and quoted concurrently with the Rights Shares.

2.3 Proposed Capital Reduction

The Proposed Capital Reduction entails the reduction and cancellation of RM520.0 million of the issued share capital of Pharmaniaga which is lost and/or unrepresented by available assets pursuant to Section 117 of the Act. The enlarged issued share capital of Pharmaniaga after the Proposed Rights Issue and the Proposed Private Placement based on Minimum Scenario A, Maximum Scenario A, Minimum Scenario B and Maximum Scenario B are as follows:

	Enlarged issued share capital (RM'mil)	**Enlarged number of Pharmaniaga Shares ('mil)**
Minimum Scenario A	751.5	6,435.9
Maximum Scenario A	789.5	6,543.9
Minimum Scenario B	834.4	7,043.0
Maximum Scenario B	872.4	7,151.0

The corresponding credit of RM520.0 million arising from the Proposed Capital Reduction will reduce the accumulated losses of Pharmaniaga Group.

For illustrative purposes, the pro forma effects of the Proposed Capital Reduction (based on Minimum Scenario A) on the accumulated losses of Pharmaniaga as well as the Group based on the latest audited financial statements of the Group for the FYE 2023 are as set out below:

		Audited as at 31 December 2023	
		Company RM'000	**Group RM'000**
Retained earnings/ (Accumulated losses)		77,193	(603,419)
Add:	Waiver of Penalty (as defined in Section 6.2 of this Circular)	-	94,900
Less:	Estimated expenses to be incurred in relation to the Proposed Regularisation Plan that will be charged to the statements of profit or loss and other comprehensive income	(6,820)	(6,820)
Add:	Credit arising from the Proposed Capital Reduction	520,000	520,000
Resultant retained earnings		**590,373**	**4,661**

The Proposed Capital Reduction of RM520.0 million was determined by the Board, after taking into consideration, amongst others, the enlarged issued share capital of the Company after the Proposed Rights Issue and the Proposed Private Placement as well as the audited retained earnings of the Company for the FYE 2023 of RM77.2 million and audited accumulated losses of the Group for the FYE 2023 of RM603.4 million.

For the avoidance of doubt, the Proposed Capital Reduction will not result in any adjustment to the share price of Pharmaniaga and the existing number of Pharmaniaga Shares. The Proposed Capital Reduction will not result in any outflow of cash or change in NA of the Group, save for the estimated expenses to be incurred in relation to the Proposed Regularisation Plan. There will be no change in the total number of issued Shares in the Company held by the shareholders immediately after the Proposed Capital Reduction, nor will the Proposed Capital Reduction involve the payment to any shareholders of any paid-up share capital of the Company.

Subject and subsequent to the approval of the Proposed Capital Reduction by the shareholder at the forthcoming EGM, the effective date of the Proposed Capital Reduction will be the date when the Registrar of Companies records the information lodged relating to the reduction of capital in the appropriate register in accordance with Section 119 of the Act.

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3. UTILISATION OF PROCEEDS

The Proposed Rights Issue and Proposed Private Placement are undertaken to raise gross proceeds of a minimum of RM560.9 million up to RM653.5 million. The minimum proceeds to be raised for the Proposed Rights Issue is based on full subscription basis with underwriting on the remaining Shares not subjected to the Shareholders' Undertaking under the Minimum Scenario A.

Based on the illustrative entitlement basis of 12 Rights Shares for every 5 existing Shares, illustrative issue price of RM0.10 per Rights Share and illustrative issue price of RM0.14 per Placement Share, the Proposed Rights Issue and Proposed Private Placement are expected to raise proceeds of a minimum of RM560.9 million up to RM653.5 million which the Company proposes to be utilised in the following manner:

Scenario A: Assuming RM215.0 million is raised from the Proposed Private Placement

		Minimum Scenario A				Maximum Scenario A				
Details of utilisation	**Notes**	**Proposed Rights Issue RM'000**	**Proposed Private Placement RM'000**	**Total proceeds RM'000**	%	**Proposed Rights Issue RM'000**	**Proposed Private Placement RM'000**	**Total proceeds RM'000**	%	**Estimated timeframe for the utilisation from the date of receipt of proceeds**
Part repayment of existing borrowing commitments	(a)	250,000	-	250,000	44.6	250,000	-	250,000	44.0	Within 12 months
Working capital	(b)	42,342	30,273	72,615	12.9	49,963	30,273	80,236	14.1	Within 12 months
Business expansion	(c)	45,695	176,305	222,000	39.6	45,695	176,305	222,000	39.0	Within 24 months
Defray estimated expenses	(d)	7,858	8,422	16,280	2.9	7,858	8,422	16,280	2.9	Within 1 month
Total proceeds		**345,895**	**215,000**	**560,895**	**100.0**	**353,516**	**215,000**	**568,516**	**100.0**	

Scenario B: Assuming RM300.0 million is raised from the Proposed Private Placement

Details of utilisation	Notes	Minimum Scenario B				Maximum Scenario B				Estimated timeframe for the utilisation from the date of receipt of proceeds
		Proposed Rights Issue RM'000	Proposed Private Placement RM'000	Total proceeds RM'000	%	Proposed Rights Issue RM'000	Proposed Private Placement RM'000	Total proceeds RM'000	%	
Part repayment of existing borrowing commitments	(a)	250,000	85,000	335,000	51.9	250,000	85,000	335,000	51.3	Within 12 months
Working capital	(b)	42,342	30,273	72,615	11.2	49,963	30,273	80,236	12.3	Within 12 months
Business expansion	(c)	45,695	176,305	222,000	34.4	45,695	176,305	222,000	34.0	Within 24 months
Defray estimated expenses	(d)	7,858	8,422	16,280	2.5	7,858	8,422	16,280	2.4	Within 1 month
Total proceeds		**345,895**	**300,000**	**645,895**	**100.0**	**353,516**	**300,000**	**653,516**	**100.0**	

Notes:

(a) Part repayment of existing borrowing commitments

As at the LPD, the total borrowings of the Group are approximately RM1,230.2 million which comprise of revolving credit facilities of RM331.2 million, banker's acceptance of RM839.4 million and term loans of RM59.6 million. The Company intends to partly repay a minimum of RM250.0 million up to RM335.0 million of the Group's existing borrowings which were utilised to fund the Group's current long-term investments or working capital purposes. Such part repayment of borrowings is expected to result in interest savings of approximately RM12.5 million up to RM16.8 million per annum based on the average interest rate of approximately 5.0% per annum.

Subsequent to the repayment of the Company's borrowing commitments, the Group expects certain of its borrowing facilities will be made available for future utilisation for its working capital requirements.

(b) Working capital

The proceeds of RM72.6 million up to RM80.2 million will be earmarked for working capital requirements to support the day-to-day operations of the Group in the manner as set out below:

Details of utilisation	Minimum Scenario A and Minimum Scenario B RM'000	Maximum Scenario A and Maximum Scenario B RM'000
Payment to suppliers and trade creditors (1)	72,615	80,236

Note:

(1) Comprise payment to suppliers for the purchase of drugs and non-drugs products. For information purposes, as at 31 December 2023, the Group's trade payables stood at approximately RM627.8 million.

(c) Business expansion

The total proceeds earmarked for Pharmaniaga's business expansion amounting to RM222.0 million which is proposed to be utilised as follows:

Details of utilisation	RM'000
Building or acquisition of four new warehouses (1)	130,000
Product development of vaccines, insulins and other generic drugs (2)	92,000
Total	**222,000**

Notes:

(1) Pharmaniaga intends to build or acquire 4 new warehouses across Malaysia in order to ensure high compliance and swift delivery of orders to all MoH premises, including those in Sabah and Sarawak.

(2) Development of vaccines is part of the National Immunisation Programme, the development of insulin is intended to close the supply gap in Malaysia and the development of other generic drugs to grow the Group's product portfolio.

The Group is required to set up 4 new warehouses in Peninsular Malaysia, Sabah and Sarawak. These additional warehouses are expected to reduce the delivery time of orders to the facilities of MoH and to cater for the volume growth. The breakdown of locations is as below:

Location	No. of Warehouses
Peninsular Malaysia	2
Sabah	1
Sarawak	1

The Group expects to identify suitable and strategic locations for construction of the warehouse or suitable warehouse to be acquired within the next 24 months from the date of this Circular. The amount required for the 4 new warehouses is estimated at RM130.0 million. However, in the event that the earmarked amount from the gross proceeds from the Proposed Regularisation Plan is insufficient, the remaining amount required will be funded via internally generated fund, bank borrowings or a combination of both. Please refer to **Section 8.3(a)** of this Circular for further details on the Group's future plans and strategies.

In relation to the Group's biopharmaceutical business, the Group intends to intensify its presence, specifically for vaccines and insulins. PLSSB, a wholly owned subsidiary of the Group, has been producing vaccines for the Malaysian market. In February 2023, PLSSB had successfully installed the pre-filled syringe filling line at the Group's plant at Puchong, Selangor. The cartridge line on the other hand was successfully installed in June 2024, followed by equipment qualification and testing for both lines which was completed in August 2024. Subsequently, the production lines are currently undergoing process simulation to validate and verify the sterility of the production environment before actual manufacturing processes can take place. This process is expected to be completed by February 2025. The plant focuses on the manufacturing of vaccines under the National Immunisation Programme, aspired to protect Malaysia against multiple major childhood diseases, namely diptheria, tetanus, pertussis, poliomyelitis, haemophilus B and hepatitis B. Aligning to the National Vaccine Development Roadmap, PLSSB intends to supply selected vaccines by first supplying them to the market through purchasing from third parties before the vaccines will be manufactured locally through fill-finish.

Out of RM222.0 million allocated for business expansion, RM92.0 million is earmarked for the development of the Group's biopharmaceutical products and other generic drugs. This includes development costs which include the cost associated with formulating the vaccine and insulin, clinical trials and registration of products. The Group expects to successfully formulate and commercialise the vaccine and insulin by 2025. Please refer to **Section 8.3(a)** of this Circular for further details of the Group's future plans and strategies.

In relation to other generic drugs, the Group intends to strengthen its presence in the generic pharmaceutical product segment in Malaysia through the introduction of various high-value new generic pharmaceutical products. As at the LPD, the Group has 91 new products in its 5-year product development pipeline, which includes, amongst others, cardiovascular system products, anti-diabetic products and anti-infectives products.

As at the LPD, some of the Group's business expansion plans are at its preliminary stages. Pharmaniaga will make the necessary announcements and/or seek its shareholders' approval when such plans materialise, where required pursuant to the Listing Requirements. If such business expansion opportunities do not materialise within the expected timeframe and/or the allocated amount is not fully utilised, Pharmaniaga proposes to utilise such balance proceeds for general working capital of the Group based on the proportion as set out in Note (b) above.

(d) Defray estimated expenses

The breakdown of the estimated expenses in relation to the Proposed Regularisation Plan are set out below:

Details of utilisation	RM'000
Professional fees [(1)]	14,763
Fees payable to relevant authorities	140
Printing, dispatch, meeting expenses and miscellaneous expenses	1,377
Total	**16,280**

Note:

[(1)] Comprise estimated professional fees payable to the principal adviser, solicitors, reporting accountants, independent market researcher and internal control and risk management consultant for the Proposed Regularisation Plan.

Any deviation in actual expenses of the Proposed Regularisation Plan will be adjusted to/from proceeds earmarked for general working capital of the Group.

Pending utilisation of the proceeds from the Proposed Regularisation Plan for the abovementioned purposes, the proceeds will be placed in profit-bearing bank account as deposits with licensed financial institutions or short-term money market instruments as the Board may deem fit. Any interests/profits derived from the deposits with the financial institutions or any gains arising from the short-term money market instruments shall be utilised for the general working capital of the Group as stated in Note (b) above within 24 months from being earned. Any variation between the actual amount of proceeds raised and the above estimated amount of proceeds will be adjusted with the working capital of the Group. Any shortfall to the amount earmarked for the working capital will be funded via the Group's internally generated funds.

The actual gross proceeds to be raised from the Proposed Rights Issue and Proposed Private Placement will depend on the actual number of Rights Shares and Placement Shares that will be issued as well as the issue price of the Rights Shares and Placement Shares, which shall be determined at a later stage.

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4. RATIONALE FOR THE PROPOSED REGULARISATION PLAN

The Proposed Regularisation Plan aims to resolve the financial challenges faced by the Group, ultimately resulting in the Group's improved financial condition, enhanced cash flow position, and return to profitability. The Board believes that the anticipated enhanced financial position of the Group following the successful implementation of the Proposed Regularisation Plan is expected to improve the financial performance and condition of the Group and eventually lead to the regularisation of Pharmaniaga's PN17 status.

4.1 Proposed Rights Issue

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Rights Issue is the most suitable and expedient form of fund raising for the Company at this juncture after taking into consideration that the Proposed Rights Issue will:

(a) enable the Company to raise the requisite funds without incurring additional interest expense or service principal repayments as compared to bank borrowings, thereby allow the Company to minimise any potential cash outflow in respect of interest servicing costs and have more flexibility over its cash flow commitments;

(b) reduce the gearing of the Group due to an increase in the NA of the Group;

(c) provide the Entitled Shareholders with an opportunity to further increase their equity participation in the Company on a pro-rata basis; and

(d) on a stand-alone basis, enable the issuance of new Pharmaniaga Shares without diluting shareholders' equity interest, based on the assumption that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue.

4.2 Proposed Private Placement

The Board is of the view that in tandem with the Proposed Rights Issue, the Proposed Private Placement is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

(a) enable the Company to raise the requisite funds without incurring additional interest expense or service principal repayments as compared to bank borrowings, thereby allow the Company to minimise any potential cash outflow in respect of interest servicing costs and have more flexibility over its cash flow commitments;

(b) reduce the gearing of the Group due to an increase in the NA of the Group;

(c) serves as an additional remedial effort undertaken by the Company to address the Group's funding needs; and

(d) to strengthen the financial position and capital base of the Group.

4.3 Proposed Capital Reduction

The Proposed Capital Reduction serves to rationalise the financial position of the Group by reducing the accumulated losses of the Group via cancellation of the issued share capital of Pharmaniaga which is lost and/or unrepresented by available assets. This is to reflect more accurately the value of its underlying assets and financial position and eventually eliminating the balance accumulated losses after taking into account the Waiver of Penalty (as defined in **Section 6.2** of this Circular). This in turn, is expected to enhance the credibility of the Group with its bankers, customers, suppliers, investors and other stakeholders and provide a stronger financial platform for the future growth of the Group.

The Group would also be in a better position to issue dividends in the future, as and when appropriate following the reduction and eventually elimination of accumulated losses (after taking into account the Waiver of Penalty (as defined in **Section 6.2** of this Circular)). The Board will take into consideration the present and future funding needs of the Company and Group before declaring any dividends.

5. DETAILS OF EQUITY FUND-RAISING EXERCISES UNDERTAKEN IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not undertaken any equity fund-raising exercises in the past 12 months before the announcement of the Proposed Regularisation Plan.

As stated in **Section 1** of this Circular, the Company has completed the Private Placement with the issuance of 131,020,866 Pharmaniaga Shares raising approximately RM45.9 million. As at the LPD, the said proceeds have been utilised for the following purposes:

Utilisation of proceeds	**Timeframe for utilisation from the completion of the Private Placement**	**Proposed utilisation (based on actual amount raised)**	**Actual utilisation up to LPD**	**Balance to be utilised**
		RM'000	**RM'000**	**RM'000**
Working capital for payment to suppliers/trade creditors of the Group [(1)]	Within 12 months	45,515	45,515	-
Estimated expenses in relation to the Private Placement [(2)]	Within 1 month	342	342	-
Total		**45,857**	**45,857**	-

Notes:

[(1)] *As at the LPD, the Group has utilised approximately RM45.5 million for payment to suppliers/trade creditors of the Group.*

[(2)] *The expenses in relation to the Private Placement include the following:*

	RM'000
Professional fees (i.e. principal adviser, placement agent and share registrar)	*274*
Fees to relevant authorities	*23*
Miscellaneous expenses, contingencies and other incidental expenses in relation to the Private Placement	*45*
Total	***342***

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6. EFFECTS OF THE PROPOSED REGULARISATION PLAN

The pro forma effects of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction on the Company's share capital, NA, NA per Share, gearing, earnings and EPS, substantial shareholders' shareholdings and convertible securities are set out in the ensuing sections.

For illustrative purposes, the pro forma effects of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction have taken into consideration the following:

(a) the Company has 1,441,229,526 Pharmaniaga Shares in issue as at LPD;

(b) the Company has 31,752,300 outstanding Options as at 31 December 2023;

(c) an illustrative entitlement basis of 12 Rights Shares for every 5 Pharmaniaga Shares;

(d) based on the issue price of RM0.10 per Rights Share, the Minimum Scenario A and Minimum Scenario B involves the issuance of 3,458,950,862 Rights Shares and assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements, raising gross proceeds of RM345.9 million;

(e) based on the issue price of RM0.10 per Rights Share, the Maximum Scenario A and Maximum Scenario B involves the conversion of 31,752,300 outstanding Options into Pharmaniaga Shares, issuance of up to 3,535,156,382 Rights Shares and assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements, raising gross proceeds of up to RM353.5 million;

(f) issuance of between 1,535,714,286 Placement Shares under Scenario A and 2,142,857,143 Placement Shares under Scenario B at an illustrative issue price of RM0.14 per Placement Share, raising gross proceeds of RM215.0 million and RM300.0 million based on Scenario A and Scenario B, respectively; and

(g) cancellation of RM520.0 million issued share capital of Pharmaniaga which is lost and/or unrepresented by available assets pursuant to Section 117 of the Act.

The Company wishes to emphasise that the pro forma effects as set out in this section are presented purely for illustrative purposes based on the assumptions set out above and should not be regarded as an indication or reference to the final entitlement basis for the Proposed Rights Issue and the final issue price of the Rights Shares and Placement Shares and the actual number of Placement Shares to be issued.

6.1 Share capital

The pro forma effects of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction on the Company's share capital are as follows:

Minimum Scenario A

	No. of Pharmaniaga Shares	RM'000
As at the LPD	1,441,229,526	200,046
Arising from the Proposed Rights Issue	3,458,950,862	341,810 (1)
After the Proposed Rights Issue	**4,900,180,388**	**541,856**
Add: Issuance of new Shares pursuant to the Proposed Private Placement	1,535,714,286	209,625 (2)
After the Proposed Private Placement	**6,435,894,674**	**751,481**
To be cancelled pursuant to the Proposed Capital Reduction	-	(520,000)
Enlarged issued share capital	**6,435,894,674**	**231,481**

Notes:

(1) *After deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(2) *Assuming 1,535,714,286 Placement Shares are issued at the illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM5.4 million which is directly attributable to the issuance of new Shares against the share capital.*

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Maximum Scenario A

	No. of Pharmaniaga Shares	RM'000
As at the LPD	1,441,229,526	200,046
Add: Issuance of new Shares pursuant to exercise of the outstanding Options	31,752,300	30,391 (1)
After issuance of new Shares pursuant to exercise of the outstanding Options	**1,472,981,826**	**230,437**
Arising from the Proposed Rights Issue	3,535,156,382	349,430 (2)
After the Proposed Rights Issue	**5,008,138,208**	**579,867**
Add: Issuance of new Shares pursuant to the Proposed Private Placement	1,535,714,286	209,625 (3)
After the Proposed Private Placement	**6,543,852,494**	**789,492**
To be cancelled pursuant to the Proposed Capital Reduction	-	(520,000)
Enlarged issued share capital	**6,543,852,494**	**269,492**

Notes:

(1) *Assuming all 31,752,300 outstanding Options are converted into 31,752,300 new Shares at the exercise price of RM0.843 and after accounting for the reversal of share reserve.*

(2) *After deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(3) *Assuming 1,535,714,286 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM5.4 million which is directly attributable to the issuance of new Shares against the share capital.*

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Minimum Scenario B

	No. of Pharmaniaga Shares	RM'000
As at the LPD	1,441,229,526	200,046
Arising from the Proposed Rights Issue	3,458,950,862	341,810[(1)]
After the Proposed Rights Issue	**4,900,180,388**	**541,856**
Add: Issuance of new Shares pursuant to the Proposed Private Placement	2,142,857,143	292,500[(2)]
After the Proposed Private Placement	**7,043,037,531**	**834,356**
To be cancelled pursuant to the Proposed Capital Reduction	-	(520,000)
Enlarged issued share capital	**7,043,037,531**	**314,356**

Notes:

(1) *After deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(2) *Assuming 2,142,857,143 Placement Shares are issued at the illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM7.5 million which is directly attributable to the issuance of new Shares against the share capital.*

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Maximum Scenario B

	No. of Pharmaniaga Shares	RM'000
As at the LPD	1,441,229,526	200,046
Add: Issuance of new Shares pursuant to exercise of the outstanding Options	31,752,300	30,391[(1)]
After issuance of new Shares pursuant to exercise of the outstanding Options	**1,472,981,826**	**230,437**
Arising from the Proposed Rights Issue	3,535,156,382	349,430[(2)]
After the Proposed Rights Issue	**5,008,138,208**	**579,867**
Add: Issuance of new Shares pursuant to the Proposed Private Placement	2,142,857,143	292,500 [(3)]
After the Proposed Private Placement	**7,150,995,351**	**872,367**
To be cancelled pursuant to the Proposed Capital Reduction	-	(520,000)
Enlarged issued share capital	**7,150,995,351**	**352,367**

Notes:

(1) *Assuming all 31,752,300 outstanding Options are converted into 31,752,300 new Shares at the exercise price of RM0.843 and after accounting for the reversal of share reserve.*

(2) *After deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(3) *Assuming 2,142,857,143 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM7.5 million which is directly attributable to the issuance of new Shares against the share capital.*

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6.2 NA, NA per Share and gearing

The pro forma effects of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction on the NA, NA per Share and gearing of the Group are as follows:

Minimum Scenario A

	Audited as at 31 December 2023	(I) After the Proposed Rights Issue [2]	(II) After (I) and the Proposed Private Placement [3]	(III) After (II) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000
Share capital	200,046	541,856	751,481	231,481
Share reserve	3,624	3,624	3,624	3,624
Exchange reserve	149	149	149	149
Accumulated losses	(603,419)	(603,419)	(610,239)[4]	(90,239)
Revaluation reserve	100,534	100,534	100,534	100,534
Shareholders' funds/ NA	**(299,066)**	**42,774**	**245,549**	**245,549**
Number of Shares ('000)	1,441,230	4,900,180	6,435,895	6,435,895
Number of outstanding Options ('000)	31,752	31,752	31,752	31,752
NA per Share (RM)	(0.21)	0.01	0.04	0.04
Borrowings	1,187,099	937,099	937,099	937,099
Gearing (times)	N/A[1]	21.92	3.82	3.82

Notes:

(1) *Not applicable due to negative equity position.*

(2) *Based on issuance of 3,458,950,862 Rights Shares at an issue price of RM0.10 and after deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(3) *Assuming 1,535,714,286 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM5.4 million which is directly attributable to the issuance of new Shares against the share capital.*

(4) *After deducting the estimated expenses of RM6.8 million in relation to the Proposed Regularisation Plan.*

Maximum Scenario A

	Audited as at 31 December 2023	(I) After full exercise of outstanding Options [2]	(II) After (I) and the Proposed Rights Issue [3]	(III) After (II) and the Proposed Private Placement [4]	(IV) After (III) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	200,046	230,437	579,867	789,492	269,492
Share reserve	3,624	-	-	-	-
Exchange reserve	149	149	149	149	149
Accumulated losses	(603,419)	(603,419)	(603,419)	(610,239)[5]	(90,239)
Revaluation reserve	100,534	100,534	100,534	100,534	100,534
Shareholders' funds/ NA	**(299,066)**	**(272,299)**	**77,131**	**279,936**	**279,936**
Number of Shares ('000)	1,441,230	1,472,982	5,008,138	6,543,852	6,543,852
Number of outstanding Options ('000)	31,752	-	-	-	-
NA per Share (RM)	(0.21)	(0.18)	0.02	0.04	0.04
Borrowings	1,187,099	1,187,099	937,099	937,099	937,099
Gearing (times)	N/A[1]	N/A[1]	12.15	3.35	3.35

Notes:

(1) Not applicable due to negative equity position.

(2) Assuming all 31,752,300 outstanding Options are converted into 31,752,300 new Shares at the exercise price of RM0.843 and after accounting for the reversal of share reserve.

(3) Based on issuance of 3,535,156,382 Rights Shares at an issue price of RM0.10 and after deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.

(4) Assuming 1,535,714,286 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM5.4 million which is directly attributable to the issuance of new Shares against the share capital.

(5) After deducting the estimated expenses of RM6.8 million in relation to the Proposed Regularisation Plan.

Minimum Scenario B

	Audited as at 31 December 2023	(I) After the Proposed Rights Issue [2]	(II) After (I) and the Proposed Private Placement [3]	(III) After (II) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000
Share capital	200,046	541,856	834,356	314,356
Share reserve	3,624	3,624	3,624	3,624
Exchange reserve	149	149	149	149
Accumulated losses	(603,419)	(603,419)	(608,114)[4]	(88,114)
Revaluation reserve	100,534	100,534	100,534	100,534
Shareholders' funds/ NA	**(299,066)**	**42,744**	**330,549**	**330,549**
Number of Shares ('000)	1,441,230	4,900,180	7,043,038	7,043,038
Number of outstanding Options ('000)	31,752	31,752	31,752	31,752
NA per Share (RM)	(0.21)	0.01	0.05	0.05
Borrowings	1,187,099	937,099	852,099	852,099
Gearing (times)	N/A[1]	21.92	2.58	2.58

Notes:

(1) *Not applicable due to negative equity position.*

(2) *Based on issuance of 3,458,950,862 Rights Shares at an issue price of RM0.10 and after deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.*

(3) *Assuming 2,142,857,143 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM7.5 million which is directly attributable to the issuance of new Shares against the share capital.*

(4) *After deducting the estimated expenses of RM4.7 million in relation to the Proposed Regularisation Plan.*

Maximum Scenario B

	Audited as at 31 December 2023	(I) After full exercise of outstanding Options [2]	(II) After (I) and the Proposed Rights Issue [3]	(III) After (II) and the Proposed Private Placement [4]	(IV) After (III) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	200,046	230,437	579,867	872,367	352,367
Share reserve	3,624	-	-	-	-
Exchange reserve	149	149	149	149	149
Accumulated losses	(603,419)	(603,419)	(603,419)	(608,114)[5]	(88,114)
Revaluation reserve	100,534	100,534	100,534	100,534	100,534
Shareholders' funds/ NA	**(299,066)**	**(272,299)**	**77,131**	**364,936**	**364,936**
Number of Shares ('000)	1,441,230	1,472,982	5,008,138	7,150,995	7,150,995
Number of outstanding Options ('000)	31,752	-	-	-	-
NA per Share (RM)	(0.21)	(0.18)	0.02	0.05	0.05
Borrowings	1,187,099	1,187,099	937,099	852,099	852,099
Gearing (times)	N/A[1]	N/A[1]	12.15	2.33	2.33

Notes:

(1) Not applicable due to negative equity position.

(2) Assuming all 31,752,300 outstanding Options are converted into 31,752,300 new Shares at the exercise price of RM0.843 and after accounting for the reversal of share reserve.

(3) Based on issuance of 3,535,156,382 Rights Shares at an issue price of RM0.10 and after deducting estimated expenses of approximately RM4.1 million which is directly attributable to the issuance of new Shares against the share capital.

(4) Assuming 2,142,857,143 Placement Shares are issued at an illustrative issue price of RM0.14 and after deducting estimated expenses of approximately RM7.5 million which is directly attributable to the issuance of new Shares against the share capital.

(5) After deducting the estimated expenses of RM4.7 million in relation to the Proposed Regularisation Plan.

Other key event post 1 January 2024 up to the LPD

PLSB has received a letter dated 30 September 2024 from the Government on waiver of penalty amounting to RM124.9 million ("**Waiver of Penalty**"). The post-taxation amount for the Waiver of Penalty is RM94.9 million and it was recognised and reflected in the quarterly unaudited condensed consolidated interim financial statements for the period ended 30 September 2024. For illustration, based on the post-taxation amount for the Waiver of Penalty, under the Minimum Scenario A, Maximum Scenario A, Minimum Scenario B and Maximum Scenario B, the shareholders' funds and accumulated profits of Pharmaniaga after the Proposed Capital Reduction are as follows:

	Minimum Scenario A	**Maximum Scenario A**	**Minimum Scenario B**	**Maximum Scenario B**
Shareholders' funds (RM'000)	340,449	374,836	425,449	459,836
Accumulated profits (RM'000)	4,661	4,661	6,786	6,786

6.3 Earnings and EPS

The Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction are not expected to have any immediate material effect on the earnings of the Group for the FYE 2024 as the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction are only expected to be completed in the 2nd quarter of 2025 whilst the proceeds to be raised from the Proposed Rights Issue and Proposed Private Placement are expected to be utilised within 24 months from the date of the listing of the Rights Shares and Placement Shares, respectively.

The Proposed Rights Issue and Proposed Private Placement are expected to contribute positively to the consolidated earnings of the Group for the ensuing financial years when the benefits of the utilisation of proceeds are realised. However, there will be a dilution in the EPS of the Group for the FYE 2025 due to the increase in the number of Pharmaniaga Shares in issue arising from the Proposed Rights Issue and Proposed Private Placement.

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For illustrative purposes, assuming that the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction were effected based on the audited FYE 2023, the pro forma effects on the earnings and EPS of the Group are as follows:

Minimum Scenario A

	Audited FYE 2023	(I) After the Proposed Rights Issue	(II) After (I) and the Proposed Private Placement [1]	(III) After (II) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000
LAT	(78,744)	(78,744)	(85,564)	(85,564)
LPS (sen)	(5.46)	(1.61)	(1.33)	(1.33)
No. of Shares ('000)	1,441,230	4,900,180	6,435,895	6,435,895

Note:

(1) After including estimated expenses of RM6.8 million in relation to the Proposed Regularisation Plan.

Maximum Scenario A

	Audited FYE 2023	(I) After full exercise of outstanding Options	(II) After (I) and the Proposed Rights Issue	(III) After (II) and the Proposed Private Placement [1]	(IV) After (III) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000	RM'000
LAT	(78,744)	(78,744)	(78,744)	(85,564)	(85,564)
LPS (sen)	(5.46)	(5.35)	(1.57)	(1.31)	(1.31)
No. of Shares ('000)	1,441,230	1,472,982	5,008,138	6,543,852	6,543,852

Note:

(1) After including estimated expenses of RM6.8 million in relation to the Proposed Regularisation Plan.

Minimum Scenario B

	Audited FYE 2023	(I) After the Proposed Rights Issue	(II) After (I) and the Proposed Private Placement [1]	(III) After (II) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000
LAT	(78,744)	(78,744)	(83,439)	(83,439)
LPS (sen)	(5.46)	(1.61)	(1.18)	(1.18)
No. of Shares ('000)	1,441,230	4,900,180	7,043,038	7,043,038

Note:

(1) After including estimated expenses of RM4.7 million in relation to the Proposed Regularisation Plan.

Maximum Scenario B

	Audited FYE 2023	(I) After full exercise of outstanding Options	(II) After (I) and the Proposed Rights Issue	(III) After (II) and the Proposed Private Placement [1]	(IV) After (III) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000	RM'000	RM'000
LAT	(78,744)	(78,744)	(78,744)	(83,439)	(83,439)
LPS (sen)	(5.46)	(5.35)	(1.57)	(1.17)	(1.17)
No. of Shares ('000)	1,441,230	1,472,982	5,008,138	7,150,995	7,150,995

Note:

(1) After including estimated expenses of RM4.7 million in relation to the Proposed Regularisation Plan.

Other key event post 1 January 2024 up to the LPD

PLSB has received a letter dated 30 September 2024 from the Government on the Waiver of Penalty, which is reflected in the quarterly unaudited condensed consolidated interim financial statements for the period ended 30 September 2024. The post-taxation amount for the Waiver of Penalty is RM94.9 million. For illustration, based on the post-taxation amount for the Waiver of Penalty, the PAT and EPS of Pharmaniaga after the Proposed Capital Reduction for Minimum Scenario A, Maximum Scenario A, Minimum Scenario B and Maximum Scenario B are as follows:

	Minimum Scenario A	Maximum Scenario A	Minimum Scenario B	Maximum Scenario B
PAT (RM'000)	9,336	9,336	11,461	11,461
EPS (sen)	0.15	0.14	0.16	0.16

6.4 Convertible securities

Save for the outstanding Options, the Group does not have any outstanding convertible securities. Where required, adjustments to be made to the exercise price and/or number of outstanding Options as a result of the Proposed Rights Issue and Proposed Private Placement will be made in accordance with the bylaws governing the outstanding Options and the Constitution of the Company.

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6.5 Substantial shareholders' shareholdings

For illustrative purposes and assuming all substantial shareholders subscribe in full for their respective entitlements to the Rights Shares, the pro forma effects of the Proposed Rights Issue and Proposed Private Placement on the shareholdings of the substantial shareholders of Pharmaniaga are set out below.

The Proposed Capital Reduction will not have any effect on the shareholdings of the substantial shareholders of Pharmaniaga.

Minimum Scenario A

	As at LPD				(I) After the Proposed Rights Issue			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	679,152,075	47.1	-	-	2,309,117,055	47.1	-	-
LTAT	112,916,620	7.8	679,152,075[(1)]	47.1	383,916,508	7.8	2,309,117,055 [(1)]	47.1

	(II) After (I) and the Proposed Private Placement			
	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	2,309,117,055	35.9	-	-
LTAT	383,916,508	6.0	2,309,117,055 [(1)]	35.9

Note:

(1) *Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.*

Maximum Scenario A

	As at LPD				(I) After assuming full exercise of outstanding Options			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	679,152,075	47.1	-	-	679,152,075	46.1	-	-
LTAT	112,916,620	7.8	679,152,075[(1)]	47.1	112,916,620	7.7	679,152,075[(1)]	46.1

	(II) After (I) and the Proposed Rights Issue				(III) After (II) and the Proposed Private Placement			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	2,309,117,055	46.1	-	-	2,309,117,055	35.3	-	-
LTAT	383,916,508	7.7	2,309,117,055 [(1)]	46.1	383,916,508	5.9	2,309,117,055 [(1)]	35.3

Note:

(1) *Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.*

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Minimum Scenario B

	As at LPD				(I) After the Proposed Rights Issue			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	679,152,075	47.1	-	-	2,309,117,055	47.1	-	-
LTAT	112,916,620	7.8	679,152,075[(1)]	47.1	383,916,508	7.8	2,309,117,055[(1)]	47.1

	(II) After (I) and the Proposed Private Placement			
	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	2,309,117,055	32.8	-	-
LTAT	383,916,508	5.5	2,309,117,055[(1)]	32.8

Note:

(1) Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.

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Maximum Scenario B

	As at LPD				(I) After assuming full exercise of outstanding Options			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	679,152,075	47.1	-	-	679,152,075	46.1	-	-
LTAT	112,916,620	7.8	679,152,075[(1)]	47.1	112,916,620	7.7	679,152,075[(1)]	46.1

	(II) After (I) and the Proposed Rights Issue				(III) After (II) and the Proposed Private Placement			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
BHB	2,309,117,055	46.1	-	-	2,309,117,055	32.3	-	-
LTAT	383,916,508	7.7	2,309,117,055[(1)]	46.1	383,916,508	5.4	2,309,117,055[(1)]	32.3

Note:

(1) *Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.*

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6.6 Status of Pharmaniaga Group pursuant to Paragraph 2.1 of PN17

The status of Pharmaniaga Group pursuant to Paragraph 2.1 of PN17 upon completion of the Proposed Regularisation Plan is as follows:

	Criteria	Status
(a)	the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million;	Based on the pro forma consolidated financial position of Pharmaniaga Group as at 31 December 2023, upon completion of the Proposed Regularisation Plan, Pharmaniaga Group's shareholders' equity on a consolidated basis, taking into account the Waiver of Penalty will be as follows: (i) Minimum Scenario A: RM340.4 million (147.1% of the enlarged share capital of RM231.5 million); (ii) Maximum Scenario A: RM374.8 million (139.1% of the enlarged share capital of RM269.5 million); (iii) Minimum Scenario B: RM425.4 million (135.3% of the enlarged share capital of RM314.4 million); and (iv) Maximum Scenario B: RM459.8 million (130.5% of the enlarged share capital of RM352.4 million). Hence, Pharmaniaga will no longer trigger this criterion upon the completion of the Proposed Regularisation Plan.
(b)	receivers or managers, or judicial managers have been appointed over the asset of the listed issuer, its subsidiary or associated company which asset accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as no receivers or managers, or judicial managers have been appointed over the assets of the Group or associated company as at the LPD.
(c)	a winding up of a listed issuer's subsidiary or associated company which accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as there is no winding up proceedings being instituted against Pharmaniaga Group as at the LPD.
(d)	the auditors have expressed an adverse or disclaimer opinion in the listed issuer's latest audited financial statements;	Not applicable as the auditor of Pharmaniaga has not expressed any adverse or disclaimer opinion in the Company's latest audited financial statements for the FYE 2023.
(e)	the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer; or	Pharmaniaga's shareholders' equity on a consolidated basis is less than 50% of its share capital as at 31 December 2022. Subsequently on 2 May 2023, Pharmaniaga announced that it has triggered an additional prescribed criteria under Paragraph 2.1(e) of PN17 of the Listing Requirements due to the fact that the Company's external auditors have issued an unmodified audit opinion with emphasis of matter on material uncertainty relating to the Company's ability to continue as a going concern in the audited statements for FYE 31 December 2022. In its opinion, the auditor indicated that the Group incurred a net loss of RM605.1 million for the FYE 2022. As of that date, the Group's and the Company's current liabilities exceeded its current assets by RM632.1 million and RM411.2 million, respectively, and the Group recorded a capital

	Criteria	Status
		deficiency of RM227.4 million as at 31 December 2022. As stated in Note 2 of the financial statements for the FYE 2022, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Upon the completion of the Proposed Regularisation Plan, the Company will no longer trigger this criterion. Based on the pro forma effects of the Proposed Regularisation Plan on the NA of the Group for FYE 2023 on Minimum Scenario A , taking into account the Waiver of Penalty, the Group would record shareholders' funds of RM340.4 million and the enlarged share capital of RM231.5 million and no longer trigger the 50% threshold as set out in item (a) above. In relation to the Group's material uncertainty on going concern status, the auditors' opinion shall depend on their assessment of the Group's ability to continue as a growing concern which is to be determined either during an interim special audit or an annual year-end audit.
(f)	a default in payment by a listed issuer, its major subsidiary or major associated company as the case may be, as announced by a listed issuer pursuant to Paragraph 9.19A of the Listing Requirements and the listed issuer is unable to provide a solvency declaration to the Exchange	Not applicable as there is no default in payment by Pharmaniaga Group.

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6.7 Status of Pharmaniaga Group pursuant to Paragraph 8.03A(2) of Chapter 8

The status of Pharmaniaga Group pursuant to Paragraph 8.03A(2) of Chapter 8 upon completion of the Proposed Regularisation Plan is as follows:

	Criteria	Status
(a)	the listed issuer has suspended or ceased –	
	(i) all of its business or its major business; or	Not applicable. Pharmaniaga has discontinued the operations of PISB, PPSB and PBSB in October 2023, however, these subsidiaries are not classified as major businesses of Pharmaniaga Group pursuant to Paragraph 8.03A(7)(a) of the Listing Requirements as its combined revenue contributes 0.7% of Pharmaniaga's consolidated revenue based on its audited consolidated financial statements for FYE 2022. There were no cancellation, loss or non-renewal of licence, concession of such other rights necessary to conduct the Group's business activities and no court orders or judgements obtained against Pharmaniaga prohibiting it from conducting its major operations.
	(ii) its entire or major operations, for any reasons whatsoever including, amongst others, due to or as a result of – (aa) the cancellation, loss or non-renewal of licence, concession or such other rights necessary to conduct its business activities; (bb) the disposal of the listed issuer's business or major business; or	
	(cc) a court order or judgement obtained against the listed issuer prohibiting the listed issuer from conducting its major operations on grounds of infringement of copyright of products etc; or	Not applicable. Pharmaniaga has discontinued the operations of PISB, PPSB and PBSB in October 2023, however, these subsidiaries are not classified as major businesses of Pharmaniaga Group pursuant to Paragraph 8.03A(7)(a) of the Listing Requirements as its combined revenue contributes 0.7% of Pharmaniaga's consolidated revenue based on its audited consolidated financial statements for FYE 2022. There were no cancellation, loss or non-renewal of licence, concession of such other rights necessary to conduct the Group's business activities and no court orders or judgements obtained against Pharmaniaga prohibiting it from conducting its major operations.
(b)	the listed issuer has an insignificant business or operations	Not applicable pursuant to Paragraph 8.03A(7)(b) of the Listing Requirements as Pharmaniaga has an adequate level of operations whereby revenue generated by the remaining companies within the Group after the discontinued operations of PISB, PPSB and PBSB of RM3,381.6 million represents 2,193.1% of Pharmaniaga's share capital as at 31 December 2022.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Pharmaniaga Shares as traded on the Main Market of Bursa Securities for the past twelve (12) months preceding the date of this Circular are as follows:

	High RM	Low RM
2024		
February	0.435	0.380
March	0.380	0.345
April	0.365	0.340
May	0.410	0.310
June	0.390	0.365
July	0.470	0.365
August	0.445	0.375
September	0.405	0.370
October	0.410	0.370
November	0.430	0.355
December	0.390	0.350
2025		
January	0.355	0.315
Last transacted market price of Pharmaniaga Shares on 28 November 2023 (being the last trading day prior to the date of the Requisite Announcement)		0.400
Last transacted market price of Pharmaniaga Shares as at the LPD (being the latest practicable date prior to the printing of this Circular)		0.320

(Source: Bloomberg)

8. INDUSTRY OVERVIEW AND PROSPECTS

8.1. Overview and outlook on the economy

Malaysia

Malaysia's economy continued its growth momentum, supported by favourable economic performance, amid persistent challenges in the external environment. This signifies the country's strong fundamentals and diversified economic activities as well as investor confidence in the domestic market, anchored by sound Government policies. Furthermore, the Ekonomi MADANI framework, which focuses on restructuring and reforming Malaysia's economic agenda, coupled with the implementation of key policy plans such as the National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030), have started to yield positive results. During the first half of 2024, the economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of the year, albeit at a moderate pace. Overall, real gross domestic product ("**GDP**") in 2024 is revised upward, ranging between 4.8% and 5.3%, surpassing the initial target of 4% to 5%.

For 2025, the economy is projected to grow between 4.5% and 5.5%. On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of ICT related activities. Tourism-related industries, particularly food and beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the electrical and electronics ("**E&E**") segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries are anticipated to remain favourable in line with higher

domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (CPO) and demand from food-related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shutdown for maintenance purposes.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

The Malaysian economy expanded by 5.3% in the third quarter of 2024 (2Q 2024: 5.9%), driven by strong investment activity and continued improvement in exports. Investment activity was underpinned by strong spending on structures and machinery and equipment (M&E), while household spending sustained its expansion amid positive labour market conditions and policy support. In the external sector, exports continued to strengthen on the back of recovering external demand and positive spillovers from the global tech upcycle. Meanwhile, imports also grew at a faster pace, following strong demand for capital and intermediate goods to support rising investments and trade. On the supply side, most sectors remained supportive of growth. In particular, the improvement in the manufacturing sector was driven by export-oriented clusters. However, growth was partly offset by maintenance activities in the mining sector. On a quarter-on-quarter, seasonally-adjusted basis, growth momentum moderated to 1.8% (2Q 2024: 2.9%). Overall, the Malaysian economy expanded by 5.2% in the first three quarters of 2024.

During the quarter, both headline and core inflation remained stable at 1.9% (2Q 2024: 1.9%). Higher inflation was observed for diesel (20.1%; 2Q 2024: 5.3%) and vehicle insurance (0.8%; 2Q 2024: -0.1%), which was offset by broader moderation in inflation for food and beverages (1.6%; 2Q 2024: 1.9%), particularly food away from home, cereals, and fresh vegetables. On the whole, the share of Consumer Price Index (CPI) items recording monthly price increases was lower at 38.9% during the quarter (2Q 2024: 49.4%).

In the third quarter of 2024, the ringgit appreciated by 14.9% against the US dollar, while the ringgit nominal effective exchange rate (NEER) also appreciated by 9.9%. This, in part, can be attributed to the shift towards a monetary policy easing stance by the US Federal Reserve, which has alleviated pressure on regional currencies, including the ringgit. However, the ringgit has since depreciated by 7.8% against the US dollar between 1 October and 13 November 2024. This was mainly driven by a stronger US dollar in the same period, amid expectations for smaller US policy rate reductions following robust US economic data. Nevertheless, on a year-to-date basis (as at 13 November 2024), the ringgit appreciated by 3.1% against the US dollar (NEER: +6.6%). Moving forward, movements in the ringgit will continue to be influenced by external developments. Nevertheless, Malaysia's favourable macroeconomic outlook and ongoing structural reforms would support the ringgit over the medium term. BNM will continue to ensure the orderly functioning of the domestic foreign exchange market.

On the domestic front, investment activities will be supported by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and higher realisation of approved investments are also key drivers for investment activities. These investments, which are supported by higher capital imports, will raise exports and expand productive capacity in the economy. Household spending will be underpinned by continued employment and wage growth as well as policy measures. Externally, the ongoing global tech upcycle, continued strong demand for manufactured goods and commodities, and higher tourist spending are expected to lift exports. The growth outlook remains subject to downside risks stemming from slower external demand, further escalation of geopolitical tensions and protectionist measures, as well as weaker-than-expected commodity production. Nevertheless, upside risks to growth include greater spillovers from the tech upcycle, faster implementation of investment projects and more robust tourism activity.

(Source: Economic and Financial Developments in Malaysia in the 3rd Quarter of 2024, Bank Negara Malaysia)

Indonesia

Indonesia's GDP growth remains resilient, supported by strong domestic demand. The economy continued to grow at around 5 percent over the first three quarters of 2024 (3Q-24). A rapid deceleration in inflation has supported consumer confidence and retail sales, which have surpassed pre-pandemic levels. Private consumption contributed to a sizeable 55 percent of growth. Government consumption also expanded, contributing 10 percent to overall growth, in line with rising public spending on social assistance programs and election-related expenditures in 2024. Meanwhile, investment through downstream activities in the mining sector, as well as construction activities in transport, warehouses, and communication sectors, contributed 27 percent of growth (the same as in 2023). These positive developments have compensated for the weak outcome of net exports, which resulted from moderating terms-of-trade and commodity prices coupled with a rebound in imports.

(Source: Indonesia Economic Prospects December 2024, The World Bank)

Indonesia's economy grew 5.0% in Q3 and also averaged 5.0% in the first 3 quarters. Private consumption remained solid while public infrastructure spending increased in Q3, driven by developments in the new capital city and toll road construction. Net exports modestly contributed to growth as imports grew faster in Q3, driven by increased domestic activities. Regional elections should still provide support for growth in Q4. Bank Indonesia lowered its policy rate by 25 basis points to 6.0% in September in support of economic growth amid benign risk to price stability.

(Source: Asian Development Outlook December 2024)

8.2. Overview and prospects of pharmaceutical industry in Malaysia and Indonesia

Outlook and prospects of the pharmaceutical industry in Malaysia

In 2022, the local pharmaceutical industry contracted by 4.9% to RM17.98 billion in 2022 as there was lesser demand for COVID-19 vaccines with most of the adult population in the country already being administered with 2 doses in 2021. The local pharmaceutical industry rebounded into positive territory in 2023, expanding by 6.2% to RM19.1 billion, on the back of higher demand for both locally produced and imported pharmaceutical products as demand for healthcare rises. However, the growth rate is relatively slower as compared to the growth rate registered in the previous year due to high base effect. In 2024, local pharmaceutical industry expanded by 5.8% to RM20.2 billion on the back of sustained demand for pharmaceutical products.

The outlook and prospects of the pharmaceutical industry in Malaysia are positive. The pharmaceutical industry in Malaysia has continued to receive attention from investors. In 2023, a total of 13 projects with investments of RM154.8 million were approved. Of these, 6 were new projects with investments of RM74.8 million (48.3%) and 7 were expansion or diversification projects with investments of RM80.0 million (51.7%). Foreign investments totalled RM6.4 million (4.2%) while domestic investments amounted to RM148.4 million (95.8%). These projects are expected to generate employment opportunities for 324 people.

The local pharmaceutical industry is projected to continue expanding at a growth rate of between 5.8% and 7.9% during the forecast period from 2025 to 2029. The positive outlook on the demand for pharmaceutical products in Malaysia stems mainly from expected sustained large demand from the government and private pharmacy channels. The sizeable annual multibillion ringgit allocation to the MoH is expected to drive the demand for pharmaceutical products from industry players with active participation in the public healthcare sector. Other favourable demand conditions include the growing demand for healthcare and the prevalence of communicable and non-communicable diseases as well as a growing and ageing population in the country that help to drive spendings on pharmaceutical products. On the flip side, unregistered products sold in the market have remained a concern in the industry as they can negatively impact the reputation of the local pharmaceutical industry and affect consumer confidence in its offerings.

On the supply side, the local pharmaceutical industry is expected to continue receiving encouraging support from the Government particularly in terms of policies and incentives. Besides that, the push towards digital transformation among the stakeholders in the industry as well as further traction in R&D and clinical trial activities in Malaysia are expected to propel the industry to a greater height moving forward. However, the pharmaceutical industry in Malaysia needs to be mindful of its heavy reliance on imported raw materials which can make it more vulnerable to supply chain disruptions and/or price volatilities.

Moving forward, the local pharmaceutical industry is projected to grow from RM21.56 billion in 2025 to reach RM29.11 billion in 2029, registering a compound annual growth rate ("**CAGR**") of 7.6% during this forecast period (base year of 2024).

The positive outlook in the pharmaceutical industry in Malaysia augurs well for the growth prospect for industry players such as Pharmaniaga. As one of the major pharmaceutical industry players in Malaysia with approximately 17.9% share of the Malaysian pharmaceutical industry in 2023, Pharmaniaga already has a proven track record as one of the few pharmaceutical industry players in Malaysia with an annual revenue of more than RM1 billion in 2023. Pharmaniaga holds concession agreement to undertake the procurement, storage, supply and delivery of medical products by MoH from 1 July 2023 until 30 June 2030, and stands to benefit from the continual growth of the local pharmaceutical industry over the forecast period from 2024 to 2028.

Outlook and prospects of the pharmaceutical industry in Indonesia

The pharmaceutical industry is one of the key industries within the manufacturing sector in Indonesia. In 2023, the GDP (at 2010 constant market prices) contribution from the manufacture of chemicals, pharmaceuticals, and botanical products in Indonesia amounted to 235.72 trillion rupiahs or RM70.24 billion based on conversion rate of 1,000 rupiahs = RM0.298 (2022 = 235.48 trillion rupiahs or RM66.64 billion, based on the conversion rate of 1000 rupiahs = RM0.283), or 9.4% (2022 = 9.8%) of the total GDP contribution from the manufacturing sector. The pharmaceutical industry also continued to receive favourable attention from investors. Domestic direct investment realisation and foreign direct investment realisation in the Indonesian chemical and pharmaceutical industry in 2023 amounted to 33.87 trillion rupiahs or RM10.09 billion, based on the conversion rate of 1000 rupiahs = RM0.298 (2022 = 28.91 trillion rupiahs or RM8.18 billion, based on the conversion rate of 1000 rupiahs = RM0.283) and 4.81 trillion rupiahs or RM1.43 billion, based on the conversion rate of 1000 rupiahs = RM0.298 (2022 = 4.51 trillion rupiahs or RM1.28 billion, based on the conversion rate of 1000 rupiahs = RM0.283) respectively.

On the demand side, the country's huge population has helped to support demand for pharmaceutical products. The mid-year population of Indonesia in 2024 stood at 281.6 million persons (2023 = 278.7 million persons). Favourable government healthcare initiatives and policies have also helped to drive the growth in the industry. For example, the implementation of the national health insurance programme known as 'Jaminan Kesehatan Nasional' which allows citizens particularly the vulnerable low-income individuals to gain access to healthcare services including medicines without being forced to make out-of-pocket payments for them. The past COVID-19 pandemic and the prevalence of communicable and non-communicable diseases have also raised awareness among consumers on the need to pursue a healthy lifestyle and undertake pharmaceutical products for general health maintenance purpose.

On the supply side, there were 27,712 establishments that participated in the manufacturing of pharmaceuticals, medicinal chemical and botanical products in 2023. However, only 2.5% of them were medium and large manufacturing establishments (engaging at least 20 persons). The pharmaceutical industry in Indonesia enjoys a high profile due to the presence of public listed companies on the Indonesia Stock Exchange such as PT Kalbe Farma Tbk and PT Kimia Farma Tbk among others. The pharmaceutical industry has also enjoyed support from the Indonesian Government. The pharmaceutical industry is part of the priority sector in the 'Making Indonesia 4.0' roadmap led by the Ministry of Industry to revitalise the country's manufacturing sector and become a powerhouse in the Fourth Industrial Revolution. The Indonesian Government is also encouraging digital transformation in the industry to drive competitiveness. For example, state-owned pharmaceutical holding companies have been

utilising digital technology in core business processes such as production and distribution. On the flip side, the pharmaceutical industry in Indonesia needs to overcome its dependence on imported raw materials in order to become more competitive.

Moving forward, the growth in the pharmaceutical industry in Indonesia is projected to gain further traction in the near future as it continues to ride on favourable demand and supply conditions. Expectations are also made for the Indonesian Government to continue paying close attention to the development in the pharmaceutical industry and undertake more growth-inducing initiatives and policies to drive its long-term growth.

(Source: Protégé Associates Sdn Bhd)

8.3. Future plans and strategies

Pharmaniaga is optimistic with its prospects amid its strategic plans to recover from the PN17 classification. In order to improve the profitability and strengthen the financial position of Pharmaniaga in the future, the Group's future plans and strategies include the following:

(a) Future plans and strategies of the Group

(i) The Group intends to manufacture vaccines and insulin locally to address the growing demand in the healthcare industry

The management of Pharmaniaga ("**Management**") noted that there has been an increasing need for halal vaccines in Malaysia and the global market. Malaysia is currently importing all vaccines for public and private market usage. Pharmaniaga proposes to substitute the selected imported vaccines with the supply of locally manufactured vaccines and intends to intensify its presence in the biopharmaceutical products, specifically vaccines and insulins. Such initiative is to be undertaken by PLSSB, a wholly owned subsidiary of the Group, which is principally involved in the manufacture and sale of pharmaceutical products, in particular vaccines and insulins. PLSSB is set to become Malaysia's first company with a facility to manufacture vaccines and is expected to commercialise its vaccines by 2026. In February 2023, PLSSB had successfully installed the pre-filled syringe filling line at the plant. The plant focuses on the manufacturing of vaccines under the National Immunisation Programme, aspired to protect Malaysia against multiple major childhood diseases, namely diptheria, tetanus, pertussis, poliomyelitis, haemophilus B and hepatitis B.

The vaccines that the Group intends to manufacture are PCV-13 with more serotypes, HPV and Hexavalent Vaccine.

Currently, all the above vaccines distributed by Pharmaniaga are purchased through APPL tender by MoH from foreign suppliers with a value of approximately RM290.0 million. Pharmaniaga intends to bridge the gap in Malaysia and global vaccine markets with the vaccines to be manufactured locally under PLSSB.

The Group has received grants from MOSTI to aid the technology transfer and to support the formulation and development of selected vaccine molecules.

The grants received from MOSTI will support the Group to manufacture Process Validation ("**PV**") batches of selected vaccines for stability testing purposes and continue spearheading the localisation efforts of such products to ensure the supply security of vaccines in the country.

The Company has completed its pre-filled syringe and cartridge lines for its vaccine and insulin production facility following the completion of the facility's construction and renovation, machineries procurement and installation as well as equipment qualifications in November 2024. The production line is currently undergoing a process simulation to validate and verify the sterility of the production environment before batches can be manufactured. This is targeted to be completed in February 2025. Subsequently the PV batch can be manufactured and the first batch is targeted to be completed by March 2025.

Aligning to the National Vaccine Development Roadmap, PLSSB intends to supply the vaccines by first supplying them to the market through purchasing from third parties before selected vaccines will be manufactured locally through fill-finish.

Pharmaniaga is addressing such supply gap of insulins in Malaysia by working with its partners to trade and localise the insulin manufacturing at PLSSB. Based on the Independent Market Research by Protégé Associates Sdn Bhd ("**IMR Report**"), there were 2.0 million diabetes patients in Malaysia registered in the National Diabetes Registry with 870,771 diabetes patients on active follow up. The Company had on 13 May 2024, submitted to the NPRA the dossiers for the trading of insulins and had received approval on 7 November 2024. With this approval, the Company is able to commercialise the insulins by 2025. In parallel, the Company is also working to undertake a technology transfer that will enable the Company to manufacture and sell the insulins produced by the Company by fourth quarter of 2025.

The Group has earmarked RM92.0 million of the gross proceeds from the Proposed Regularisation Plan for the development of its biopharmaceutical products and other generic drugs. The proceeds will be utilised for the development costs which includes the cost associated with formulating the vaccine and insulin, clinical trials and registration of product.

As at the LPD, various progress has been made in vaccine development, including partner and vendor selection, completion of quality audits, and establishment of a Good Manufacturing Practices ("**GMP**") manufacturing facility. Proof of concept for a pentavalent vaccine formulation is achieved, and preparations for Hexavalent vaccine formulation are underway with completed quality specifications. Materials Transfer Agreement (MTA) has been executed with partners and 60% of the antigens, consumables and reference materials for formulation works have been procured. The Hexavalent vaccine is expected to be the first vaccine to be formulated in-house through collaboration with international partners. The Group expects to successfully formulate and complete the pre-clinical studies for the Hexavalent vaccine by second quarter of 2026. The product is expected to be commercialised upon approval by NPRA, which is targeted to be by the third quarter of 2028.

Kindly refer to **Section 3** of the Circular for further information on the utilisation of proceeds.

In addition to the above, PLSSB has completed its insulin cartridge filling line. The completion of this line will enable the Group to manufacture both recombinant human insulin and analogue insulins. As at LPD, 3 human insulin products and 1 analogue insulin product has received NPRA approval. These products will first be commercialised through trading route within the first quarter of 2025 while technology transfer efforts are underway to localise the manufacturing of such products in PLSSB by fourth quarter of 2025.

As at the LPD, the Group anticipates to incur an additional cost of approximately RM134.3 million for both the insulins and vaccines until their respective commercialisation.

As part of the efforts to develop the capabilities of the Bumiputera pharmaceutical industry players to supply medicine for the needs of the national healthcare system, the MoH has implemented the Skim Anak Angkat ("**SAA**") and Skim Panel Pembuat Bumiputera ("**SPPB**") whereby the items under the APPL are sourced directly from companies under the SAA or a few companies under the SPPB (Source: IMR report).

With the shift of procurement of vaccines and insulins locally by MoH, Pharmaniaga's strategy is to leverage on the Company's status under the SAA and SPPB programme. Under the current APPL tender cycle, MoH has appointed 25 local manufacturers under these schemes to supply 167 drug products and 187 non-drug products. Pharmaniaga is the only local Bumiputera manufacturer for vaccines and insulins. Therefore, given the Concession and Pharmaniaga's unique position to be the only local manufacturer for vaccines and insulins and pursuant to MoH's SAA and SPPB, Pharmaniaga believes that it will be able to capture a significant share of the market for both vaccines and insulins.

Under the SAA programme, Pharmaniaga will be able to secure its revenue as long as Pharmaniaga remains the only local Bumiputera manufacturer for vaccines and insulins. In the event of other local manufacturers becoming available, the procurement will then be moved to the SPPB programme under the Concession, which is currently under Pharmaniaga whereby MoH will source the supply from companies under SPPB. Both the SAA and SPPB programmes are developed by the Government, aimed at assisting local companies to locally manufacture drug and non-drug products in order to compete globally.

In addition, Pharmaniaga's undertaking to locally manufacture the above medicines is aligned to the national's plan to produce biologics locally to ensure supply security of critical and complex medicines as outlined in the National Industrial Masterplan (NIMP) 2030 and National Vaccine Development Roadmap.

Based on the above, the Group anticipates favourable contribution to its financial performance from its vaccine and insulin products upon completion of the cartridge filling line, followed by the commencement of insulin manufacturing operations. Currently, the Group is acting as an agent for the trading and distribution of selected imported vaccines and insulins. In the event that the Group is able to become the first locally-owned company that manufacture the vaccines and insulins, the Group will be able to leverage on the SAA programme and obtain higher profit margins from the sale of the vaccines and insulins. In addition, this serves as an opportunity for the Group to bridge the supply gap of vaccines and insulin to the Government. Further, with the Group's distribution network and track record in Malaysia, the Group may be able to supply its insulin to the private sector which includes, amongst others, private hospitals, general practitioner clinics, and pharmacies.

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(ii) The Group intends to expand strategically in Indonesia by strengthening its Indonesian logistics and distribution and manufacturing capabilities

The Group intends to expand its presence in Indonesia. Through its subsidiary PMPT, the Group intends to establish new branches to strengthen its logistics and distribution capabilities in Indonesia. The Group's central warehouse in Jakarta and 36 branches throughout Indonesia, will enable the Group to steadily expand its presence in both the pharmaceutical and over-the-counter product markets. In 2024, PMPT has begun operations for 3 new branches at Purwakarta, Mataram and Pematang Siantar and is in the midst of opening 1 additional branch at Bekasi.

The status of the establishment of branches are as follows:

(a) The Purwakarta and Mataram branches have begun their operations in the first quarter of 2024.

(b) The Pematang Siantar branch has begun its operation in the fourth quarter of 2024.

(c) The Bekasi branch is undergoing renovation processes and is expected to begin its operations by the fourth quarter of 2025.

The expansion of more branches in Indonesia is driven by the increased volume of products that are currently being serviced by the Group (which increased from approximately RM944.3 million in FYE 2022 to approximately RM1,100.60 million in FYE 2023) and aligns to its strategy to secure more distribution agreements with Principals. The Group has successfully added 5 additional Principals in 2023. 3 additional Principals were added in 2024 with a more diversified product offering portfolio. These 8 new Principals are expected to add approximately IDR220.0 billion or approximately RM60.0 million to annual revenue for the Group. In tandem with the Group's strategy to secure more agreements with Principals, the revenue generated from the logistics and distribution business under PMPT is expected to grow with a CAGR of 14% from 2024 to 2028. Historically, the revenue of PMPT has been growing with a CAGR of 11% from 2018 to 2023. The Group will continue to explore and identify suitable Principals which will be able to provide added value and synergistic benefits to the Group. The securing of more agreements with Principals is expected to contribute positively to the financial performance of the Group due to the additional product offerings which in turn may increase the revenue of the Group.

In addition to the above, PMPT intends to provide value-added services to its customers through OLIN pharmacy management system ("**OLIN**") through its subsidiary PDPAI. OLIN was launched on 6 June 2023, designed to increase the efficiency of pharmacy management. It simplifies operational processes such as, amongst others, product purchase management with distributors, sales to customers, inventory management and other day-to-day processes. OLIN intends to address operational challenges which PMPT's customers are experiencing and is provided as a separate service through a subscription model to targeted pharmacies. As at the LPD, OLIN has over 250 active subscriptions from pharmacy outlets across Indonesia since its inception in June 2023. These customers are now using the platform to make orders to PMPT through OLIN. Moving forward, several additional features will be introduced to the system to increase its value proposition to potential customers. This includes other business-to-business and business-to-customer services which includes, amongst others, capital financing with financiers, telemedicine services, and other promotional activities.

For the Group's manufacturing activities in Indonesia, the Group, through its subsidiary, namely PEP, intends to expand its presence in the Indonesia pharmaceutical industry by increasing the size of its in-house sales force from approximately 30 personnel as at the LPD, to over 100 personnel by the end of 2026. The increase in size of its in-house sales force is expected to increase the Group's revenue and market share in Indonesia's pharmaceutical industry. Furthermore, the Group intends to increase the variety of products that it offers. As at the LPD, the Group has identified over 10 high-value products from its Pharmaniaga Research Centre to be licensed to PEP to further penetrate the Indonesia pharmaceutical market within the next 5 years. Some of the products identified include, amongst others, antibiotics, antihistamines, anti-diabetics, and anti-hypertensive products which the Group expects to include in its product offering portfolio within the next 5 years. The licensing of these products to PEP would strengthen the Group's Indonesia business' product portfolio and enable the Group to capture more market share. The Group intends to include the above-mentioned products in its product offerings as it is of the view that there is a high market demand for the products in Indonesia whilst there are a small number of local manufacturers in Indonesia. Hence, the Group will be able to capitalise on the supply gap and allow PEP to gain market share for the sale of the products. The increase in variety of products offered by the Group, especially the above-mentioned products, are expected to contribute positively to the Group's financial position and it will enable the Group to offer more products to both its existing and prospective customers. In addition, through the network of Group's in-house sales force, the Group will be able to increase its customer base and increase its market share in Indonesia's pharmaceutical industry with the addition of new product offerings. These initiatives are expected to improve the overall profitability of the Group.

(iii) The Group intends to intensify its R&D activities to commercialise more pharmaceutical products

The Group's main manufacturing subsidiaries, namely PMB, IPMSB and PLSSB remain as key components to the Group's future plans and business strategies moving forward. The Group intends to strengthen its presence in the generic pharmaceutical product segment in Malaysia through the introduction of various high-value new generic pharmaceutical products. As at the LPD, the Group has 91 new products in its 5-year product development pipeline, which includes, amongst others, cardiovascular system products, anti-diabetic products and anti-infectives products. The Group's future plan and business strategy to intensify its R&D activities may enable the Group to become one of the early market leaders for off-patent originator products. This in turn may enable the Group to obtain an early market share and further expand its product offerings. The Group has devised its sales and marketing strategies for these new products, which include outreach initiatives at various medical related seminars and programmes to target specific patient demographic and needs, and healthcare professionals, supported by its sales and marketing teams.

The Group's robust product offering portfolio is expected to boost its business with the Government and the private sector. For the Government supply, the Group currently supplies over 85 products under the APPL. This number is likely to increase to over 90 products by the second quarter of 2025 as the Group strengthens its R&D and manufacturing capabilities. As more in-house products are expected to be manufactured and supplied under the APPL, the Group would be able to extract greater profit margins from the Concession business. For the private sector, the Group has, in 2024, obtained NPRA approvals for new products such as Parecoxib, Tegoprazan, Influenza vaccine and Dutasteride. These products will be launched in 2025. Alongside its market-leading products such as Celecoxib, Naproxen, Sildenafil and Montelukast, the Group anticipates these new products to contribute to the future growth of the Group.

(iv) The Group intends to expand its network of distribution warehouses in order to enhance its logistics and distribution services

On 12 July 2023, MoH awarded a renewal of medical supply logistics services to PLSB, a wholly owned subsidiary of the Group; for a period of 7 years to all of its facilities, starting from 1 July 2023 up to 30 June 2030 for the procurement, storage, supply and delivery of medical products to offices and facilities operated by MoH within Malaysia. Following renewal of the Concession, the Group's Logistics and Distribution business will continue to be the key business segment of its future plans. Based on internal historical data, the Group estimates this segment to grow with a CAGR of 8.3% from 2023 to 2028 contributed by projected annual volume growth of 3.0%. Pharmaniaga expects the growth to be supported by the introduction of additional new products (the number of products is expected to increase from around 729 products under the previous APPL, to more than 1,200 products under the new APPL agreement) and price revision of existing products under the cycle which is revised every 3 years. Based on the Group's discussions with the MoH, MoH has indicated that over 1,200 products will be included in the APPL throughout the concession period. To date, MoH has tendered out over 900 products, of which more than 500 products are active and currently being supplied under the Concession. The introduction of new products under the APPL is expected to improve the overall profitability of the Group. The APPL agreements will be signed in staggered basis between PLSB (as the concessionaire) and the selected vendors upon the conclusion of individual product tender process by MoH. Currently, APPL agreements for over 500 products have been signed with various selected vendors, and further APPL agreements are to be signed throughout the 7 years concession period. Overall, this segment is expected to continue being the major contributor to the Group's total revenue moving forward.

As part of the Concession, the Group intends to build or acquire 4 new warehouses across Malaysia in order to increase the Group's warehousing capacity to meet the requirements of the Concession and ensure high compliance and swift delivery of orders to all MoH's premises, including those in Sabah and Sarawak. The Group intends to open 1 warehouse in the Northern region of Peninsular Malaysia and 1 warehouse each in the Eastern region of Peninsular Malaysia, Sarawak and Sabah. This expansion will improve the Group's efficiency in meeting the requirements of service level agreement with MoH at various MoH facilities throughout Malaysia, especially with the increase in number of APPL products within the Concession. Currently, the average warehouse pallet space utilisation for the Group has exceeded 80.0% and the 4 new warehouses are expected to meet the increasing volume of supplies, as well as enable the Group to ensure compliance in meeting the delivery time of its orders to the facilities of MoH. As at the LPD, the 4 new warehouses are in the planning stage and forms part of the Concession.

As part of the above, the Group has earmarked RM130.0 million of the gross proceeds from the Proposed Regularisation Plan to build or acquire 4 new warehouses in Peninsular Malaysia, as well as Sabah and Sarawak. This will enable the Group to ensure compliance and maintain the delivery time (7 days in Peninsular Malaysia and 10 days in East Malaysia) of its orders to the facilities of MoH, in view of the increase in the number of APPL products supplied by the Group. The increase in number of warehouses is also expected to increase its efficiency, enabling the Group to strategise and optimise delivery routes and inventory management.

The Group expects to successfully identify all suitable and strategic locations for construction of the warehouse or suitable warehouse to acquire within the next 24 months. In the event that the earmarked amount from the gross proceeds from the Proposed Regularisation Plan is insufficient, the remaining amount required will be funded via internally generated fund, bank borrowings

or a combination of both. Kindly refer to **Section 3** of the Circular for further information on the utilisation of proceeds.

Leveraging on the Group's extensive logistics and distribution coverage, the Group has extended its services to other government entities for the supply and distribution of drug and non-drug products. The government entities include, amongst others, teaching hospitals under Ministry of Higher Education, army hospitals under Ministry of Defense, and other health facilities under Ministry of Internal Affairs. Moving forward, the Group intends to propose more products as part of its services to these government entities. As at the LPD, the Group has successfully obtained approval to allow procurement from non-MoH government entities to leverage on its APPL concession. The Group will continue to conduct sales and marketing activities within these entities to promote the purchasing of drugs and non-drugs from its APPL concession. The Group will also leverage on its track record with the Government to provide similar level of quality services to the private hospitals and clinics across Malaysia.

The Group's future plans and business strategies to extend its services to other government agencies are expected to contribute positively to the Group's financial performance by generating higher revenue and recording higher profit margins within the next 2 years. Furthermore, the new warehouses and enhancement of the Pharmacy Information System ("**PhIS**") by MoH is expected to increase operational efficiency of MoH's inventory supply information. PhIS is solely owned by MoH and is used by hospitals and clinics under MoH to assess their inventory levels and make orders for drugs / non-drugs on timely manner.

Despite the market potential and prospects mentioned above, pharmaceutical companies operating in Indonesia, including the Group, may face challenges due to the numerous local manufacturers and complex supply chains that may potentially lead to an uncertain business environment in the region.

(b) Cost optimisation

(i) Focus on operational efficiencies

The Group will continue to implement various cost optimisation initiatives across the Group, especially within the Group's logistics and distribution business and manufacturing business. The Group is leveraging on its Oracle Transport Management system which was fully commissioned in April 2022 to continue improving the Group's logistics and distribution business. The implementation of this system optimises supply chain management through automation and centralisation of transportation planning. Aside from that, this system enables high performance planning based on various constraints that automates vehicle selection, load utilisation, volumetric utilisation, route selection and carrier selection to achieve cost optimisation. These features are expected to lead to a seamless and efficient movement of inventories from manufacturing plants to distribution centres before the transportation of products to multiple stops at various customer premises. Since its implementation, the system has contributed to cost savings of RM5.0 million or approximately 10.0% of its selling and distribution costs in FYE 2023 as compared to pre-pandemic periods in FYE 2018 and FYE 2019.

Aside from that, the Group plans to consolidate its warehouses in the central region into 1 central facility with larger capacity. The Group is currently evaluating different approaches to consolidate its warehouses in the central region. The base plan is to consolidate the warehouses through the expansion of its main warehouse in Bukit Raja. This plan is expected to be completed by 2027, with the options being either to construct a new or to lease a facility and the cost of these options are still being evaluated. This initiative would enable

the Group to unlock efficiencies in its operation through reduction of double handling, decreased rental and storage costs, and improvements in its inventory management. The Group will also optimise its storage and distribution costs by forming strategic alliances with service providers and leveraging on the economies of scale due to increased volume per transporter to further reduce its costs. These initiatives are expected to lead to cost reduction in operational expenses between RM6.0 million to RM10.0 million per annum.

Further, the Group plans to intensify initiatives related to overall equipment effectiveness across its manufacturing plants to optimise the availability, performance, and quality of its manufacturing processes. Such initiatives include, amongst others, improving production planning at manufacturing plants by implementing make-to-stock approach on selected APPL products which would reduce changeovers time and improved productivity. The implementation of such initiatives is expected to optimise the Group's manufacturing plants as machine utilisation could be increased further, resulting in higher output per machine per month, subsequently reducing cost of sales and operating expenses per unit. This would enable the Group to manufacture products at a lower cost which would lead to more competitive pricing in the market to attract greater volume of sales. The continuous improvement efforts at various manufacturing sites would also continue to focus on incremental improvements in daily operations. As at the LPD, there are 55 active projects that include interventions to improve production cycle time, optimisation of manpower utilisation, reduction in raw materials wastages and quality checking of lab efficiencies. These cost control tactics are expected to reduce the cost of sales of all products by approximately 8.0% to 10.0% annually, subsequently enhancing the overall Group's profitability.

The ongoing efforts on carbon footprints reduction as part of the Decarbonisation Programme such as the use of electric powered vans and solar energy at the Group's solar plant at its manufacturing plant in Sungai Petani has contributed to the reduction in cost for power usage by the Group for the plant. Since its implementation in 2019, the usage of solar panels has led to an average cost reduction of approximately RM0.2 million, or around 9.0% to 10.0% per annum on electricity bills for the plant. On 28 November 2024, the Group unveiled its latest renewable energy initiative, the Solar PV System Project, further expanding its renewable energy footprint to six additional facilities. Installations are set to begin in the first quarter of 2025, with full activation and clean solar energy generation anticipated by year-end. The project is expected to generate approximately 15% savings in monthly energy costs and achieve a 10-20% reduction in carbon emissions, aligning with the Group's long-term sustainability goals.

Its operational efficiency plan also includes manpower optimisation efforts, which include rationalisation exercise to align with the Group's future plans and strategies. These efforts include reassignment of resources from the Group's less productive entities to more productive roles in the Group's subsidiaries, especially in the revenue generation and profitable businesses.

(ii) Reduce focus on ancillary and loss-making businesses

The Group has undertaken a thorough evaluation on the viability of each of its business segments. The assessment was completed in June 2023 and the Group had discontinued the operations of PISB, PPSB and PBSB which were involved in the manufacturing, marketing and sales of nutraceutical products, marketing and sales of consumer health products and marketing and sales of medical equipment and hospital equipping services, respectively. The operations of PISB, PPSB and PBSB were ceased in October 2023. This approach was taken in order to allow for better utilisation of financial resources and to regularise the financial condition of the Group. The discontinuation of

these businesses is expected to improve the Group's profitability as PISB, PPSB and PBSB have been recording operational losses in the past 3 years.

Moving forward, the Group might further discontinue other ancillary and loss-making businesses. In addition, the Group has identified and selected viable assets to be transferred to other subsidiaries and relevant manpower resources will be reassigned. Other assets that are not transferrable or deemed not suitable for other subsidiaries might be disposed or sold to potential suitors. As a result of this cessation, the Group is expected to incur a significant one-off adverse financial impact. This impact will arise from write-offs associated with ceased businesses, including write-offs of inventories and PPEs (as defined herein) of the aforementioned subsidiaries. As of to date, there is no significant one-off adverse financial impact incurred for FYE 2024 and the Group does not expect any potential write-offs to be incurred in the future that is known or expected to date. Re-activation of these ancillary businesses will only be reviewed once the Group regularises its financial condition and its PN17 status is uplifted.

(c) Post implementation of the Proposed Regularisation Plan

The future profitability and the financial position of the Group are anticipated to be further strengthened post implementation of the Proposed Regularisation Plan based on the following factors:

(i) Implementation of the Group's future plans and strategies

Based on the future plans and strategies of the Group as set out in **Section 8.3(a)** above, the future improvement in the profitability of the Group will be derived mainly from (i) the sale of vaccines and insulins and (ii) the increase of products in the APPL which will increase the sale of pharmaceutical products.

Pharmaniaga will be expanding its capabilities in biopharmaceuticals through the supply of vaccines and insulins via its wholly owned subsidiary, PLSSB which is expected to commercialise its vaccines in stages from 2026. The vaccines that the Group intends to manufacture are PCV-13, HPV and Hexavalent vaccines which are currently purchased through APPL tender by MoH from foreign suppliers with a value of approximately RM290.0 million. According to the Management, for PCV-13, HPV and Hexavalent Vaccine, the Government spends annually approximately RM45.0 million, RM60.0 million and RM190.0 million for this vaccine under the National Immunisation Programme, respectively. The Group would be enjoying higher margins from manufacturing as compared to the current logistics and distribution margins. Based on **Section 3.3 of Appendix II** of this Circular, the Group's manufacturing gross profit margins, which currently are not for vaccines and insulins, are in the range of 16.1% to 18.6% and the logistics and distribution margins are in the range of 7.2% to 11.7% for the FYE 2021 to FYE 2023. Based on the existing value of vaccines procured from foreign suppliers by MoH and the expected higher margin from the manufacturing of vaccines and insulin, the Group is expecting significant profit contribution from these products. Likewise, collaborations with partners from Europe, India, South Korea and China are underway for technology transfer and global expansion. With the MoH's shift to procure vaccines and insulins locally, Pharmaniaga's strategy is to leverage on the Company's status under the SAA and SPPB programme and together with the receipt of grants from MOSTI to develop the vaccines. The Group is optimistic that the Government will support Pharmaniaga's plan to manufacture vaccines by purchasing from PLSSB upon its commercialisation.

In addition to biopharmaceuticals, Pharmaniaga is intensifying its R&D activities to develop new high-value pharmaceutical products, aiming to become a market leader in off-patent originator products. Moving forward, Pharmaniaga aims to strengthen its presence in the public sector by providing medical supply logistics services through its recently secured 7-year Concession with the MoH. Pursuant to this, certain products previously not within the APPL are currently being or will be included in the APPL. Based on the Group's discussions with the MoH, MoH has indicated that over 1,200 products, previously 729 products, will be included in the APPL throughout the concession period. Hence, the Group is positive that it will generate higher revenue from its Concession business.

The company's sales and marketing team will continue to promote healthcare products, targeting both medical and non-medical channels. Expansion plans in Indonesia through its subsidiary PMPT are also underway, focusing on logistics, distribution, and product variety.

Premised on the above, Pharmaniaga is optimistic that the future profits to be expected from the future business plans and strategies will further strengthen its financial position.

(ii) Recognition of PLSSB Deferred Tax Asset

PLSSB, a wholly owned subsidiary of Pharmaniaga was previously involved in the manufacture of fill and finish Sinovac COVID-19 vaccines of which such inventories were subsequently subject to slow moving and obsolete inventories impairment of RM552.3 million in FYE 2022. Arising from the impairment, PLSSB recorded in its audited financial statements for FYE 2023 a deductible temporary difference amounting to RM552.3 million ("**Deductible Temporary Difference**").

With the shift to the procurement of vaccines and insulins locally by the MoH as indicated above, Pharmaniaga is optimistic that PLSSB is able to generate profits from its manufacturing activities that will allow PLSSB to recognise a deferred tax asset of RM132.5 million, being 24% of the Deductible Temporary Difference amount ("**Deferred Tax Asset**"). PLSSB is expected to generate profit after the commercialisation of vaccines in stages from FYE 2026. Pursuant to the recognition of the Deferred Tax Asset in PLSSB, there will also be a corresponding tax income for the financial year. According to MFRS 112 Income Taxes, the Deductible Temporary Difference may qualify for the recognition as Deferred Tax Asset to the extent that it is probable that taxable profit will be available against which the Deductible Temporary Difference can be utilised.

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(iii) Historical illustrative earnings

The financial results of the Group for FYE 2021 to FYE 2023 included non-recurring item such as impairment of slow-moving inventories, write-off of goodwill provision for stock obsolescence and product development cost as well as write-down of machinery equipment. In addition, the financial results of the Group for FYE 2021 were exceptional due to the sales of Sinovac COVID-19 vaccines.

Assuming the above non-recurring items for FYE 2021 to FYE 2023 are adjusted in the respective financial years, the illustrative earnings of the Group for FYE 2021 to FYE 2023 are as below.

FYE	**2020 RM'mil**	**2021 RM'mil**	**2022 RM'mil**	**2023 RM'mil**
Actual				
Revenue	2,725.1	4,815.0	3,480.9	3,404.5
GP / (GL)	295.2	630.0	(479.6)	307.8
PBT / (LBT)	35.8	277.1	(610.6)	(78.2)
PAT / (LAT)	26.3	172.2	(627.7)	(78.7)
Illustrative				
Revenue	2,725.1	3,171.4[(1)]	3,510.6[(3)]	3,378.0[(7)]
GP	295.2	291.6[(1)]	372.4[(4)]	349.9[(8)]
PBT	35.8	20.9[(1)(2)]	33.1[(5)]	13.0[(9)]
PAT	26.3	13.2[(1)]	23.2[(6)]	2.2[(10)]
GP margin (%)	10.8	9.2	10.6	10.3
PBT margin (%)	1.3	0.6	0.9	0.4
PAT margin (%)	1.0	0.4	0.7	0.1

***Notes**:*

(1) Revenue, GP, PBT and PAT have excluded the revenue, cost of sales and GP arising from the distribution of COVID-19 vaccines.

(2) Includes additional operational expenses of RM6.9 million arising from the distribution of COVID-19 vaccines.

(3) The revenue has been adjusted to exclude the exceptional penalty imposed by the Government for late delivery of drugs of RM29.7 million.

(4) The GP has been adjusted to exclude the exceptional penalty imposed by the Government for late delivery of drugs of RM29.7 million and impairment for slow-moving and obsolete inventories of RM552.3 million.

(5) The PBT has been adjusted to exclude the following:

	RM'mil
Exceptional penalty imposed by the Government for late delivery of drugs	*29.7*
Impairment for slow-moving and obsolete inventories	*552.3*
Write-down of goodwill and naming rights	*55.3*
Impairment of new product development costs	*6.5*
Total	***643.8***

(6) The PAT has been adjusted to exclude the following:

	RM'mil
Exceptional penalty imposed by the Government for late delivery of drugs	*22.5*
Impairment for slow-moving and obsolete inventories	*552.3*
Write-down of goodwill and naming rights	*55.3*
Impairment of new product development costs	*6.5*
Derecognition of deferred tax assets for a loss-making subsidiary	*14.3*
Total	***650.9***

(7) *The revenue has been adjusted to exclude the exceptional reversal of penalty based on estimation of RM26.5 million.*

(8) *The GP has been adjusted to exclude the exceptional reversal of penalty based on estimation of RM26.5 million as well as reclassification of slow-moving inventories of RM68.5 million from operating expenses to cost of sales.*

(9) *The PBT has been adjusted to exclude the following:*

	RM'mil
Impairment for slow-moving and obsolete inventories	*68.5*
Impairment of new product development costs	*12.9*
Write-down of property, plant and equipment	*13.0*
Provision for ventilators compensation	*15.3*
*Exceptional expenses (Employee Separation Scheme ("**ESS**"), Bridging loan and restructuring expenses)*	*7.9*
Reversal of penalty (based on estimation)	*(26.5)*
Total	***91.1***

(10) *The PAT has been adjusted to exclude the following:*

	RM'mil
Impairment for slow-moving and obsolete inventories	*52.0*
Impairment of new product development costs	*12.9*
Write-down of property, plant and equipment	*13.0*
Provision for ventilators compensation	*15.3*
Exceptional expenses (ESS, Bridging loan and restructuring expenses)	*7.9*
Reversal of penalty (based on estimation)	*(20.1)*
Total	***81.0***

Based on the illustrative earnings above, the Group has registered profits for the respective financial year and the Management expects that the core business of Pharmaniaga Group will be profitable under normal circumstances of its business operation. It can be noted that the illustrative GP margins have been fairly consistent throughout the financial years.

(iv) Future profitability

The management is optimistic that the Group will become more financially resilient with an increase in profitability and strategically focused upon the completion of the Proposed Regularisation Plan and with the 7-years Concession secured. For the 9-months FPE 30 September 2024, the Group reported unaudited PAT of RM131.3 million. The Management believes that the full financial year results are expected to reflect an improved financial performance.

In addition, as disclosed in **Section 3** of this Circular, a minimum of RM250.0 million up to RM335.0 million of the proceeds to be raised from the Proposed Regularisation Plan are to be utilised as part repayment of existing borrowings facilities of the Group, which is expected to result in interest savings of approximately RM12.5 million up to RM16.8 million per annum. Based on the potential tax income to be recognised by PLSSB and the business plan, the Management expects that it will strengthen its profitability in the future.

9. RISK FACTORS

Pharmaniaga is exposed to the following risk factors, amongst others:

9.1 Risks in relation to the industry in which Pharmaniaga Group operates

9.1.1 The Group's business is dependent upon the market outlook

According to the IMR Report as disclosed within Appendix III of this Circular, the local pharmaceutical industry contracted by 4.9% to RM18.0 billion in 2022 as there was lesser demand for COVID-19 vaccines. The pharmaceutical industry rebounded into positive territory in 2023, expanding by 6.2% to RM19.1 billion on the back of higher projected demand for both locally produced and imported pharmaceutical products as demand for healthcare rises. In 2024, local pharmaceutical industry expanded by 5.8% to RM20.2 billion on the back of sustained demand for pharmaceutical products. For the Indonesia pharmaceutical industry, it also continued to receive favourable attention from investors.

The pharmaceutical market in Malaysia has been steadily growing over the years as a result of an aging population, increasing healthcare awareness and Government initiatives to promote the healthcare sector. In addition, the Government has been working to enhance its healthcare infrastructure and services through the Health White Paper which aimed to reform the Malaysian healthcare system. The outlook for pharmaceutical market will be growing and positive in tandem with the increase in healthcare expenditure from the Government. For the Indonesia market, the country's huge population and favourable government healthcare initiatives and policies, and increased health awareness have also helped to drive the growth in the industry.

Notwithstanding the foregoing, changes in government policies, healthcare priorities or regulatory frameworks can create uncertainties for pharmaceutical market outlook. The Group will continuously monitor and keep abreast with the latest development as well as market trend to ensure the Group maintains relevance and are able to sustain in the industry.

9.1.2 The Group is exposed to political and economic risk

The country may be exposed to political and economic uncertainties that include but are not limited to, changes in labour laws, availability of labour, a switch in political leadership and/or changes in the government's monetary and fiscal policies, methods of taxation, licensing regulations and economic conditions. Any adverse developments in the political and economic conditions in Malaysia and Indonesia, could materially and adversely affect the Group's business, financial performance, and prospects. Despite taking prudent approaches such as conducting risk assessment, and due diligence, as well as diversifying business strategies, there can be no assurance that political and economic uncertainties will not have an adverse impact on its business operations and financial prospects.

9.1.3 The Group is exposed to legal and regulatory risk

Pharmaniaga, being one of the largest local integrated pharmaceutical companies in Malaysia and also operates in Indonesia, is subject to extensive, complex, costly and evolving rules and regulations governing the business. The Group's operation of manufacturing, marketing, warehousing, transporting and development of pharmaceutical products are also subject to stringent legal and regulatory controls. Any regulatory breaches may adversely impact Pharmaniaga's reputation and operations and could lead to product liability claims, penalties and/or other non-monetary remedies. The breaches may also include, amongst others, non-compliance of the Group's manufacturing and warehouse facilities, non-compliance of transportation of medical products and breaches in relation to the conditions imposed on the Group's business, manufacturer's and wholesaler's licences.

These risks can arise from various sources including changes in legislation, failure to adhere to established regulations, or engaging in practices which are considered unethical. While the Group imposes strict controls in its effort to ensure compliance in areas which include but not limited to, operational technical areas, establish and update relevant policies and procedures, and staying abreast with latest industry specific regulations, there can be no assurance that these measures will be able to alleviate the potential risks that could result in material adverse impact on the Group's business operations and financial prospects.

9.2 Risks in relation to the business operations of Pharmaniaga Group

9.2.1 The Group is exposed to risk of non-continuation of the Concession

The Group's logistics and distribution business segment is the largest revenue of the Group and operates through concession agreements and long-term contracts with its customers. On 12 July 2023, PLSB, was awarded a renewal of medical supply logistics services by the MoH, for a period of 7 years to all its facilities, starting from 1 July 2023 and set to expire on 30 June 2030. Subsequently on 3 January 2024, PLSB entered into the Concession.

The Concession outlines the obligations of both parties, where parties may face penalties or have their concession agreements terminated early, if they do not perform their duties in accordance with the terms of the concession agreement and fails to remedy the breach. Such breaches may include amongst others, inability of supplying required supplies in quantities within the required timeframe to locations in the country. Although the Group has been providing these services to the MoH for the past 29 years since 1994, there can be no assurance that the Group can meet its service level obligations, moving forward. In the event that the Group is unable to meet these service obligations, it faces the risks of early termination of the Concession, which could adversely affect its business, operations, financial performance and future prospects.

9.2.2 The Group is exposed to the risk of loss of business

The pharmaceutical industry is highly competitive and regulated, with various sources of business risks including increase in competition, new treatment regimes, changes in health policies, volatile market environments, new pricing policies and availability of supplies. New market entrants can erode the Group's market dominance and impact the Group's revenue and profitability. Future success and maintaining the Group's competitive advantage in the pharmaceutical industry will depend significantly upon the Group's ability to respond to the changes in the market demands and conditions as well as development of new products and services in a timely manner.

The Group has adopted initiatives in its bid to remain competitive which include enhancing presence in its customer segments, venturing into new products through various means as well as leveraging on technology and digitalisation for operational matters. Despite the measure taken, there can be no assurance that these steps will have positive impacts on the Group and its operations. In the event the initiatives do not provide or meet its expectations, it may have an adverse impact on its business, financial results and future prospects.

9.2.3 The Group is exposed to financial risks

The Group's business operations are capital intensive as it requires substantial investment and cash flow for its working capital, R&D, procurement of active pharmaceutical ingredient ("**API**") and other related materials including new equipment and machineries, in line with the Group's business strategies. However, the implementation of the Group's strategies depends on, amongst others, the ability of the Group to secure sufficient financing from financial institutions and other means of fund generation.

If adequate funding is not available as and when required, or is available but on unfavourable terms, taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on the business, financial condition and performance of the Group's operations.

9.2.4 The Group's operations are exposed to operational risks

The Group is exposed to operational risks arising from disruptions in critical activities specially within its internal processes, systems, people and external events, which include, but not limited to, natural disasters such as fires and floods, power failures, and unexpected breakdowns. These disruptions may challenge the expected revenue and profit generation of the Group.

Therefore, the effective management of operational risk entails identifying potential risk sources, evaluation of their potential consequences, and the implementation of strategies to mitigate or minimise the probability and impact of these risks. This proactive approach involves implementing robust internal controls, improving processes, investing in technology infrastructure, enhancing employees' training and having contingency plans for unexpected events. The Group's commitment on operational efficiency and continuous improvement has led to accreditations and adherence to international best practices standards and certifications, which include, amongst others:

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

In addition, the Group places significant emphasis to ensure that its employees possess comprehensive understanding of compliance with rules, regulatory, policy and procedures requirements through awareness briefing and training sessions, induction courses for new recruits and internal or external training for existing employees.

Conversely, the Group acknowledges the risks posed by product recalls and customer trusts. Preventive actions and transparent response to recalls and complaints are crucial for maintaining customer trust, protecting Pharmaniaga's brand and minimising financial as well as reputational damage.

Despite the abovementioned measures in place, the prolonged disruptions may have an adverse impact on Pharmaniaga's business operations and financial performance. Up to the LPD, the Group has incurred penalty charges as a result of late delivery of products to hospitals under previous concession agreements with the MoH, which are as set out below:

	Audited FYE						Unaudited FPE
	2018 RM'000	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000 Restated**	**2023 RM'000**	**2024 RM'000**
Penalty charges	848	6,702	1,230	11,541	36,109[(1)]	(14,443)[(1)(2)]	(130,835)[(1) (2)]

Notes:

[(1)] *The provision of penalty charges or income was set off against or added to the revenue.*

[(2)] *Negative amount is due to reversal of provision for penalty imposed by the MoH.*

Kindly refer to **Appendix II** of this Circular for further information on the penalty charges incurred.

9.2.5 The Group's operations are exposed to cybersecurity risk

Digital technologies continue to revolutionise the way the Group conduct its business. Keeping pace with the speed of digital transformation is imperative for the Group's future growth. Therefore, the Group is exposed to cybersecurity risk that may disrupt its operations and has put in place a number of control functions, which include, amongst others, compliance with internationally recognised standards, close monitoring and deployment of controls and strategies, as well as conduct vulnerability assessment and network penetration test regularly.

On 6 February 2024, the Group was targeted by a cyberattack executed by external hackers, which led to a temporary disruption to the Group's supply chain operations, from the processing of purchase orders to the delivery of products to customers. The technical disruptions in the servers were subsequently resolved by 9 February 2024, allowing the Group to resume all supply chain activities on the same day. There was no operational data being compromised from the incidence. However, during the period of resolving the issues, customer orders had to be processed manually, leading to delivery delays and the imposition of late penalties. The total financial impact was approximately RM2.0 million, of which RM1.9 million was related to penalty charges by the MoH due to delayed delivery and RM0.1 million was for Information Technology consultant expenses. The Group has written to the MoH on 29 March 2024, to seek for penalty exemption under the clause of 'Force Majeure' in the Concession Agreement.

In response to such cyberattack, the Group launched an immediate investigation aimed at identifying the external hackers responsible for such cyberattack. This investigation encompasses a forensic analysis, containment and remediation efforts and implementation of enhanced monitoring and surveillance measures. The investigation was completed on 8 March 2024, and the data has been successfully recovered with action plans implemented to mitigate cybersecurity risks.

Despite the Group's efforts above, there can be no assurance that these measures are sufficient to defend against future cyberattacks, examples of which include data breaches and malware infections. Disruptions arising from cyberattacks could have a material and adverse effect on the business, financial condition and results of the Group's operations.

9.2.6 The Group's operations are exposed to environmental sustainability risk

Growing demand from regulators, investors and other stakeholders intensifies pressure for the Group to adhere to environmental rules and regulatory requirements. The Group's operational activities which are exposed to chemical processing, handling, storage, delivering and managing scheduled waste require particular attention, as well as alert from its management.

Any breaches on environment adherence may lead to negative environment impacts, such as depletion of natural resources, harming of ecosystems and delicate balance of the earth's biosphere. The risks could have severe consequences for both environment and human well-being. The Group would be implicated by reputational damage from reprimand, imposition of penalties or licence suspension by regulators or authorities.

While the Group has put in place a comprehensive sustainability programme to minimise its environmental impact through continuous initiatives, there can be no assurance that it will be able to alleviate the impact from negative incidents or if it can adhere to environmental rules and regulatory requirements.

9.3 Risks in relation to the Proposed Regularisation Plan

9.3.1 Risk of non-completion of the Proposed Capital Reduction

The completion of the Proposed Regularisation Plan is subject to, amongst others, the implementation of the Proposed Capital Reduction after the completion of Proposed Rights Issue and Proposed Private Placement which are to be implemented concurrently.

If the Proposed Capital Reduction cannot be implemented for any reasons including the creditors of Pharmaniaga making application to the High Court for the resolution for the Proposed Capital Reduction to be cancelled under Section 118 of the Act, the Proposed Capital Reduction cannot be implemented and may result in the termination of the Proposed Regularisation Plan and Pharmaniaga may remain classified as a PN17 issuer. In such scenario, besides not being able to achieve the objectives and benefits of the Proposed Capital Reduction as set out in **Section 4.3** of this Circular and completion of the Proposed Regularisation Plan, new Pharmaniaga Shares would have been duly issued to Entitled Shareholders as well as third-party investors following the completion of Proposed Rights Issue and Proposed Private Placement, respectively.

The Entitled Shareholders and the third-party investors who have subscribed for the new Pharmaniaga Shares pursuant to the Proposed Rights Issue and Proposed Private Placement, respectively, would not be able to realise the investment benefits arising from the full implementation of the Proposed Regularisation Plan. Such shareholders will be holding shares in a PN17 issuer and be subjected to the risk of Pharmaniaga being removed from the Official List of the Main Market of Bursa Securities as detailed in **Section 9.3.2** of this Circular.

9.3.2 Risk of removal from the Official List of the Main Market of Bursa Securities

The upliftment of PN17 status is largely dependent on the approvals required as set out in **Section 10** of this Circular, compliance with the conditions imposed and the timely implementation of the Proposed Regularisation Plan. These will require a number of key decisions to be decided by shareholders and relevant authorities to ensure the Proposed Regularisation Plan can be implemented effectively. As such, in the event that approvals from the necessary parties are not obtained or delayed, the Proposed Regularisation Plan may be terminated or delayed respectively.

In addition, based on Paragraph 5.2 of the PN17, the Proposed Regularisation Plan must be implemented within 6 months from the date of the approval from Bursa Securities and Pharmaniaga must record net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the Proposed Regularisation Plan. In the event such condition is not met, Pharmaniaga will continue to be classified as a PN17 issuer.

If any of the approvals and conditions above are not met by Pharmaniaga within the stipulated timeframe, Pharmaniaga may have all its listed securities suspended from trading and de-listing procedures shall be commenced against Pharmaniaga (subject to Pharmaniaga appealing against the de-listing).

Pharmaniaga will be exposed to the following risks, amongst others, in the event of a suspension of trading of shares and de-listing:

(a) Risk of withdrawal of indulgence from financiers

As disclosed in **Appendix II** of this Circular, Pharmaniaga was granted indulgence from certain financial institutions for its non-compliance with the financial covenants.

The suspension of trading of shares in Pharmaniaga will signal ongoing financial instability, prompting the financiers to withdraw the indulgences granted to the Company. Such withdrawal could exacerbate Pharmaniaga's financial difficulties, as immediate repayment obligations may be imposed by the financiers.

(b) Risk of operational challenges under the Concession

The Concession entered between Pharmaniaga and the MoH is a matter of national interest due to its critical role in procuring, storing, supplying and delivering medical products to public hospitals, clinics and other medical facilities operated and controlled by the MoH. As disclosed in **Section 8.3** of this Circular, MOSTI has provided grants for the manufacturing of vaccines by PLSSB.

Given the importance of the Concession, the suspension of trading of shares in Pharmaniaga could have significant repercussions on the continuity of services to be performed under the Concession and will affect the Company's ability to manage the supply chain of the medical products in Malaysia. It will also result in the possibility of termination of the Concession.

Nevertheless, the Group is committed to take the necessary steps and measures to ensure successful and timely implementation of the Proposed Regularisation Plan particularly from numerous meetings and negotiations with various parties and authorities, as well as close monitoring of the progress update from Proposed Regularisation Plan taskforce. Simultaneously, the Group will continue to ensure Pharmaniaga's business operations will run smoothly through various optimisation measures which include improving operational efficiencies, deprioritising ancillary and loss-making businesses and manpower rationalisation and right sizing.

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10. APPROVALS REQUIRED

The Proposed Regularisation Plan is subject to the following approvals being obtained:

(i) Bursa Securities, which was obtained vide its letter dated 29 November 2024 and 17 February 2025, for the following:

(a) the Proposed Regularisation Plan;

(b) the listing of and quotation for up to 3,535,156,382 Rights Shares and up to 2,142,857,143 Placement Shares on the Main Market of Bursa Securities; and

subject to the following conditions:

No.	Conditions	Status of compliance
1.	Pharmaniaga and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Regularisation Plan.	To be complied
2.	Pharmaniaga and MIDF Investment to confirm all approvals of relevant authorities have been obtained for the implementation of the Proposed Regularisation Plan and furnish a copy of all approval letters from the relevant authorities.	To be complied
3.	Pharmaniaga and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the general meeting for the Proposed Regularisation Plan.	To be complied
4.	Pharmaniaga and MIDF Investment to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for the Rights Shares and Placement Shares to be issued pursuant to the Proposed Regularisation Plan and furnish Bursa Securities with a copy of the public shareholding spread pursuant to Appendix 8E of the Listing Requirements upon completion of the Proposed Regularisation Plan.	To be complied
5.	Pharmaniaga and MIDF Investment to inform Bursa Securities upon the completion of the Proposed Regularisation Plan and furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval.	To be complied

(ii) the shareholders of Pharmaniaga for the Proposed Regularisation Plan (inclusive of the Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction) at the EGM to be convened; and

(iii) any other relevant authorities and/or parties, if required and the fulfilment of all conditions attached to such approvals, if any.

For the avoidance of doubt, the Proposed Capital Reduction is not subject to the approval of the High Court, as it will be undertaken pursuant to Section 117 of the Act. Subject and subsequent to the approval of the Proposed Capital Reduction by the shareholders at the forthcoming EGM, the effective date of the Proposed Capital Reduction will be the date when the Registrar of Companies records the information lodged relating to the reduction of capital in the appropriate register in accordance with Section 119 of the Act.

The Board intends to implement the Proposed Rights Issue concurrently with the Proposed Private Placement before implementing the Proposed Capital Reduction.

11. INTER-CONDITIONALITY

The Proposed Rights Issue, Proposed Private Placement and Proposed Capital Reduction are inter-conditional upon each other but not conditional upon any other corporate proposal undertaken or to be undertaken by Pharmaniaga.

In the event that any of the proposals are rejected, the Proposed Regularisation Plan will not proceed. For the avoidance of doubt, the inter-conditionality of all the proposals within the Proposed Regularisation Plan will only apply in terms of the approvals required as set out in **Section 10** of this Circular, and shall not apply to the manner and sequence of the implementation and completion of the Proposed Regularisation Plan. For information purposes, the Proposed Rights Issue will be implemented concurrently with the Proposed Private Placement before implementing the Proposed Capital Reduction.

12. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Regularisation Plan, there are no other intended corporate exercises or scheme which have been announced but yet to be completed by Pharmaniaga prior to the printing of this Circular.

13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders, chief executive of Pharmaniaga and/or persons connected with them have any interest, direct or indirect, in the Proposed Regularisation Plan apart from their respective entitlements under the Proposed Rights Issue (including the right to apply for additional Rights Shares via excess share applications), to which all Entitled Shareholders are similarly entitled.

14. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board having considered all aspects of the Proposed Regularisation Plan, including but not limited to the current and prospective financial position and needs of the Company and rationale of the Proposed Regularisation Plan, is of the opinion that the Group will have sufficient working capital available for a period of 12 months from the date of this Circular and the Proposed Regularisation Plan is in the best interests of the Company, and that barring unforeseen circumstances, the Group will be able to record a net profit in 2 consecutive quarterly results immediately after the completion of the Proposed Regularisation Plan.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposed Regularisation Plan to be tabled at the forthcoming EGM.

15. TENTATIVE TIMELINE FOR THE PROPOSED REGULARISATION PLAN

The tentative timeline for the implementation of the Proposed Regularisation Plan is as follows:

Tentative dates	Events
1st quarter of 2025	• EGM for the Proposed Regularisation Plan
2nd quarter of 2025	• Despatch of the abridged prospectus, notices of provisional allotment and rights subscription forms • Closing date of application for the Rights Shares • Lodgement of documents to the Registrar of Companies for the Proposed Capital Reduction • Effective date of the Proposed Capital Reduction • Completion of the Proposed Regularisation Plan

16. EGM

The forthcoming EGM of the Company will be held at Royale Ballroom, Level 2, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on 20 March 2025, at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposed Regularisation Plan as set out in Notice of EGM enclosed.

If you are unable to attend, speak, or vote at the EGM, you may complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible so as to arrive at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than 48 hours before the time for the EGM or any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending and voting at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
PHARMANIAGA BERHAD

Dato' Seri Abdul Razak Jaafar
Independent Non-Executive Chairman

INFORMATION ON PHARMANIAGA GROUP

1. History of Pharmaniaga Group

Pharmaniaga is an investment holding company whilst the Group is principally involved in the logistics and distribution, manufacturing and R&D and sales and marketing of pharmaceutical and medical products, as well as supply, trading and installation of medical and hospital equipment.

The history of Pharmaniaga can be traced back to 8 April 1993 with the incorporation of Southern Task (M) Sdn Bhd as a private limited company. Southern Task (M) Sdn Bhd was principally involved in the distribution of approved pharmaceutical and medical products to hospitals and medical institutions. On 1 December 1994, Southern Task (M) Sdn Bhd was awarded a 15-year concession to supply medical drugs and non-drugs to general hospitals and clinics. On 2 June 1995, Southern Task (M) Sdn Bhd changed its name to Remedi Pharmaceuticals (M) Sdn Bhd. In the same year, Remedi Pharmaceuticals (M) Sdn Bhd, and thereafter, changed its name to PLSB on 23 August 2022.

On 21 August 1998, Pharmaniaga was incorporated in Malaysia under the Companies Act, 1965 as a private limited company under the name Gema Muhibbah Sdn Bhd. The Company changed its name to Pharmaniaga Sdn Bhd on 5 October 1998.

In 1999, the Company acquired Raza Manufacturing Berhad and Strand Pharmaceutical (Malaysia) Sdn Bhd to expand its business operations to include manufacturing of generic pharmaceuticals, logistics and distribution, sales and marketing, supply of medical products and services and hospital equipping. Following the acquisition by Pharmaniaga, Raza Manufacturing Berhad changed its name to PMB on 23 August 2002 whilst Strand Pharmaceuticals (Malaysia) Sdn Bhd changed its name to PLSSB on 29 April 2004. Subsequently, Pharmaniaga was listed on the Second Board of the Kuala Lumpur Stock Exchange, now known as Main Market of Bursa Securities on 12 November 1999. It was later transferred to the Main Board of Bursa Securities on 13 March 2003.

In 2001, the Group was awarded a contract to set up 10 new hospitals in East Malaysia. In 2003, the Group successfully completed 2 pharmaceutical warehouse facilities in Bukit Raja, Selangor and Kota Kinabalu, Sabah. It also acquired Safire Pharmaceutical (M) Sdn Bhd to enhance its manufacturing capacity. Safire Pharmaceuticals (Malaysia) Sdn Bhd changed its name to Pharmaniaga Pristine Sdn Bhd on 21 November 2012, and subsequently to Pristine Pharma Sdn Bhd on 18 July 2019.

In 2004, the Group acquired 55.0% equity interest in PMPT, a company which was involved in the distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia, to establish its presence in Indonesia. In the same year, the Group successfully completed 6 hospital projects in Malaysia whereby the Group was responsible in the planning, procurement, installation, testing, commission and maintenance of all the necessary medical and non-medical equipment, medical based equipment, furniture, vehicles and accessories related to the hospitals. Details of the 6 hospital projects are as follows:

Name	Location	Details
Hospital Lahad Datu	Sabah	268 Beds
Hospital Keningau	Sabah	268 Beds
Hospital Kunak	Sabah	76 Beds
Hospital Pitas	Sabah	76 Beds
Hospital Kuala Penyu	Sabah	76 Beds
Hospital Sarikei	Sarawak	212 Beds

In 2006 and 2010, the Group successfully completed its pharmaceutical warehouse facility and manufacturing plant in Kuching, Sarawak and Puchong, Selangor, respectively. Subsequently in 2011, BHB acquired approximately 86.8% equity interest in the Company and hence, the Company became a subsidiary of BHB.

In 2012, the Group acquired Idaman Pharma Manufacturing Sdn Bhd to further expand its manufacturing facilities and production capabilities. In 2013, the Group opened its first community pharmacy, namely RoyalePharma in Shah Alam, Selangor, of which it opened its flagship store in Bandar Baru Bangi, Selangor, in 2014. In the same year, the Group acquired PEP, a manufacturing facility in Bandung, Indonesia to further expand its Indonesia operations.

In 2016, the Group acquired Bio-Collagen Technologies Sdn Bhd, a manufacturing facility which specialises in collagen-based wound care products, based in Seri Kembangan, Selangor.

In 2021, the PLSSB, a wholly owned subsidiary of the Group, entered into an agreement with Sinovac Life Sciences Co., Ltd to manufacture, fill and finish, as well as serve as the exclusive distributor of the Sinovac COVID-19 vaccine in Malaysia. Further, PLSSB entered into an agreement with the Government to supply 12 million doses of Sinovac COVID-19 vaccine and later obtained the approval for the fill and finish manufactured Sinovac COVID-19 vaccine. PLSSB successfully supplied 20.4 million doses of Sinovac COVID-19 vaccine in total between 27 Mac 2021 to 28 June 2023.

In 2022, the Group signed a collaboration agreement with a strategic partner for the development of a 6-in-1 combination vaccine for children's healthcare.

On 12 July 2023, MoH has awarded a renewal of medical supply logistics services to PLSB, a wholly owned subsidiary of the Group, for a period of 7 years to all of its facilities, starting from 1 July 2023 and set to expire on 30 June 2030. Subsequently on 3 January 2024, PLSB entered into the Concession.

2. Subsidiaries and its principal activities

The subsidiaries of the Company as at the LPD are as follows:

Company	Date / Country of incorporation	Effective equity interest (%)	Principal activities
IPMSB	6 August 2004 / Malaysia	100.0	Manufacture and sale of pharmaceutical products
PMB	8 July 1980 / Malaysia	100.0	Manufacture and sale of pharmaceutical products
PLSSB	22 March 1982 / Malaysia	100.0	Manufacture and sale of pharmaceutical products
PLSB	8 April 1993 / Malaysia	100.0	Distribution of pharmaceutical and medical products
PMSB	19 April 1984 / Malaysia	100.0	Trading and marketing of pharmaceutical and medical products
PRCSB	23 January 1998 / Malaysia	100.0	Conduct R&D of pharmaceutical products
PPSB	12 December 1983 / Malaysia	100.0	Ceased operations in October 2023
BCTSB	7 December 2004 / Malaysia	100.0	Dormant
PBSB	26 August 1996 / Malaysia	100.0	Ceased operations in October 2023

Company	Date / Country of incorporation	Effective equity interest (%)	Principal activities
PICSB	19 April 2004/ Malaysia	100.0	Investment holding
PPSCL	24 August 2005 / Republic of Seychelles	100.0	Dormant
Subsidiary of PPSB			
PISB	25 July 2016 / Malaysia	100.0	Ceased operations in October 2023
Subsidiaries of PICSB			
PMPT	20 October 1952 / Indonesia	73.4	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia
PEP	12 November 1973 / Indonesia	96.1	Manufacture and sale of pharmaceutical products in Indonesia
Subsidiary of PMPT			
PDPAI	9 May 2023 / Indonesia	72.7	Distribution of software, e-commerce application, payment service provider, and other management consultancy activity

3. Share capital

As at the LPD, the issued share capital of Pharmaniaga is RM200,046,288 comprising of 1,441,229,526 Pharmaniaga Shares.

4. Substantial shareholders

As at the LPD, the substantial shareholders of Pharmaniaga and their respective direct and indirect shareholdings in Pharmaniaga are as follows:

	Direct		Indirect	
	No. of Pharmaniaga Shares	(%)	No. of Pharmaniaga Shares	(%)
BHB	679,152,075	47.1	-	-
LTAT	112,916,620	7.8	679,152,075[(1)]	47.1

Note:

(1) *Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.*

5. Directors

As at the LPD, the directors of Pharmaniaga, all of which are Malaysians, save for Drs Imam Fathorrahman who is an Indonesian. Their respective direct and indirect shareholdings in Pharmaniaga are as follows:

			Direct		Indirect	
Name	**Designation**	**Date of appointment**	**No. of Pharmaniaga Shares**	**(%)**	**No. of Pharmaniaga Shares**	**(%)**
Dato' Seri Abdul Razak Jaafar	Independent Non-Executive Chairman	1 October 2024	-	-	-	-
Zulkifli Jafar	Managing Director	1 March 2024 *(redesignated on 1 September 2024)*	-	-	-	-
Dr. Abdul Razak Ahmad	Senior Independent Non-Executive Director	20 November 2020	-	-	-	-
Izaddeen Daud	Non-Independent Non-Executive Director	1 March 2021 *(redesignated on 1 October 2024)*	-	-	-	-
Sarah Azreen Abdul Samat	Independent Non-Executive Director	20 August 2021	-	-	-	-
Mohammad Ashraf Md. Radzi	Non-Independent Non-Executive Director	10 August 2023	-	-	-	-
Dato' Mohd Zahir Zahur Hussain	Independent Non-Executive Director	1 March 2024	-	-	-	-
Dato' Dr. Faridah Aryani Md. Yusof	Independent Non-Executive Director	1 March 2024	-	-	-	-
Drs Imam Fathorrahman	Independent Non-Executive Director	1 March 2024	-	-	-	-
Dato' Seri Dr Hj Awaludin Said	Independent Non-Executive Director	19 July 2024	-	-	-	-
Dr Mary Jane Cardosa	Independent Non-Executive Director	19 July 2024	-	-	-	-
Mohd Firdaus Zulkifli	Non-Independent Non-Executive Director *(Alternate Director to Encik Mohammad Ashraf bin Md. Radzi)*	20 May 2024	-	-	-	-

6. Employee segmentation

As at the LPD, the Group has a total workforce of 3,472 employees, of which 1,994 employees are assigned to the Group's Malaysia operations and 1,478 employees are assigned to the Group's Indonesia operations. Out of the 1,994 employees whom are assigned to the Group's Malaysia operations, 1,990 are local Malaysian employees whilst 4 are foreign employees. In addition, of the 1,478 employees whom are assigned to the Group's Indonesia operations, 1,474 are local Indonesian employees whilst 4 are foreign employees.

Further, of the total workforce of 3,472 employees, 2,955 are permanent employees whilst 517 are contractual employees. The following depicts the number of employees in the Group by categories:

	No. of employees		
Category	**Local**	**Foreign**	**Total**
Malaysia operations			
Logistics	457	-	457
Manufacturing	881	-	881
R&D	62	4	66
Sales and marketing	239	-	239
Support	351	-	351
Total	**1,990**	**4**	**1,994**
Indonesia operations			
PMPT	1,182	3	1,185
PEP	292	1	293
Total	**1,474**	**4**	**1,478**
Grand total	**3,464**	**8**	**3,472**
Malaysia operations			
Permanent	1,856	-	1,856
Contract	134	4	138
Total	**1,990**	**4**	**1,994**
Indonesia operations			
Permanent	1,097	2	1,099
Contract	377	2	379
Total	**1,474**	**4**	**1,478**
Grand total	**3,464**	**8**	**3,472**

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7. Key management

The profiles of the Group's key management are as follows:

(a) **Zulkifli Jafar**, Malaysian, aged 52
Managing Director

Zulkifli is a lawyer by profession. Zulkifli began his career at Panglima Aces Sdn Bhd in 1997 as a legal counsel and within the same year, he became a Senior Legal Assistant at Messrs Raslan Loong. Subsequently in 2002, he became a partner at Messrs Rashid Zulkifli from 2007 until 2020. He is also the director and major shareholder of MMA Resources Sdn Bhd.

With his experience, Zulkifli presently sits as a Chairman and Director of Era Universe Development Sdn Bhd and as Legal Advisor for Johor State Government Linked Companies. He has also served as director of various companies and corporations including Cooperative Commission of Malaysia, Songa Offshore Malaysia Sdn Bhd, Aladdin Group Sdn Bhd and Board of Trustee of the Foundation of Research and Transformation, an independent think tank and research body at the Prime Minister's office.

He also sits as a Director and management member of the Chartridge Conference Centre (UK) Limited, operating 4 hotels and conference centres in Chartridge Lodge, The Beeches, Hitchin Priory and Marsh Farm (United Kingdom) from 2015 until present. In 2021, he was appointed as Chairman of Idaman Pharma Manufacturing Sdn Bhd, a subsidiary of Pharmaniaga. Zulkifli was appointed as Executive Director in March 2022 and redesignated as Deputy Chief Executive Officer in February 2023, aligning with BHB's group-wide leadership policy. On 1 March 2024, he was appointed to the Board and designated as Executive Director of Pharmaniaga. On 30 August 2024, he was redesignated as the Managing Director of Pharmaniaga.

(b) **Ahmad Shahredzuan Mohd Shariff**, Malaysian, aged 42
Chief Operating Officer

Ahmad Shahredzuan began his career at Permodalan Nasional Berhad in 2006. His last position was Senior Manager at the Office of President and Group Chief Executive. Subsequently, he joined McKinsey & Company in 2015 as an Implementation Consultant, where he was involved in the strategy and execution of numerous projects. In 2019, he expanded his horizon by joining BHB as Senior General Manager. He then rose in the ranks within the Boustead Group to Chief Transformation Officer in May 2020. In March 2021, Ahmad Shahredzuan was appointed as Chief Reinvention and Strategy Officer of BHB and later redesignated to Group Chief Reinvention and Strategy Officer effective March 2023.

On 22 February 2023, he was appointed as Non-Independent Non-Executive Director of Pharmaniaga. On 1 October 2024, he was reappointed as the Chief Operating Officer of Pharmaniaga. He is responsible for the company's overall operations whilst overseeing all the regional offices, plants and hospitals within the Concession. He was also the key liaison person, leading all the stakeholder engagement activities with MoH.

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

(c) **Norai'ni Mohamed Ali**, Malaysian, aged 58
Chief Financial Officer

Norai'ni brings over 33 years of vast working experience in accounting and finance.

Her professional career with the Company spans more than 24 years. She oversees all financial matters, including acquisition of strategic business, treasury, taxation, risk management strategies and formulation of financial policies and tax planning of Pharmaniaga.

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

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

(d) **Dr. Badarulhisam Abdul Rahman**, Malaysian, aged 57
Chief Scientific Officer

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

He was also instrumental in establishing Pharmaniaga's group-wide sustainability programme, which he headed from 2017 to 2022. He is a qualified Biochemical Engineer with expertise in Biochemical Engineering and Biotechnology. He completed his Advanced Diploma and Master of Science at University College of London in the United Kingdom. Subsequently, he obtained his PhD from Johns Hopkins University in the United States of America.

Dr. Badarulhisam began his career as a lecturer at the Department of Bioprocess Engineering, Universiti Teknologi Malaysia, where he is still academically active. He then served as an Adjunct Professor at the Chemical Engineering Department of Universiti Putra Malaysia. Amongst his other accomplishments include his appointment as Board of Academic Advisory of the Faculty of Engineering at Universiti Kebangsaan Malaysia and several other universities. He has also served as an industrial advisor to several Bioprocess Engineering Programmes of major universities in Malaysia and co-supervises masters and PhD students in various aspects of Biopharmaceutical Plant Design, Biologics Drug Development and Process Optimisations.

(e) **Wan Intan Idura Wan Ismail**, Malaysian, aged 45
Chief Governance Officer

Wan Intan Idura was appointed as the Executive Vice President of Corporate Governance on 1 July 2021 and subsequently appointed as Chief Governance Officer on 1 August 2024. She joined Pharmaniaga in 2010 as an Assistant Manager of the Legal Department and became Head of Legal Department in 2012.

She continued to expand her career in Pharmaniaga by developing relevant skills and knowledge and was promoted as Deputy Director, Corporate Governance Division in 2017 and subsequently as Director on 1 July 2022. She has been appointed as the Company Secretary of Pharmaniaga Berhad on 19 November 2019 and is responsible

for all legal and secretarial services of the Company. She has more than 17 years of experience as an in-house legal counsel and has vast experience in both local and international dealings within the pharmaceutical, information technology solutions, manufacturing and automotive industries.

She graduated from University Teknologi MARA with a Bachelor of Laws in 2005 and was admitted to the Malaysian bar in 2006.

(f) **Hayat Al-Mazli Yahaya,** Malaysian, aged 52
Acting Head of Human Capital Management and Administration Division

Hayat is a highly experienced human resources ("**HR**") practitioner with over 29 years of human resources management in the private sector. He is currently serving as the Acting Head of Human Capital Management and Administration Division at Pharmaniaga.

He has held various senior roles at Pharmaniaga, overseeing HR strategy, talent development, and employee engagement initiatives. Before joining Pharmaniaga, Hayat worked at Touch 'n Go Sdn Bhd and TIME Engineering Bhd, where he gained experience in HR management, office administration, and procurement.

Hayat holds a Master of Social Science in Psychology & Counselling and an Advanced Diploma in Psychology & Counselling from the National University of Malaysia (UKM). Additionally, he earned a Diploma in Business Studies from the University of Wales in collaboration with UNITAR College, Kuala Lumpur.

Throughout his career, he has successfully led numerous key HR initiatives, focusing on developing high-performance teams and strategically aligning HR practices with corporate objectives for long-term organisational success.

(g) **Abdul Malik Mohamed**, Malaysian, aged 59
Head of Logistics and Distribution Division

Abdul Malik was appointed as the Head of the Logistics and Distribution Division on 1 April 2011. He joined Pharmaniaga in 2003 as Senior IT Manager, moved on as Supply Chain General Manager in 2008 and was promoted to his current position in 2011.

He has gained functional and leadership experience in different positions over 30 years in different span of operations and is well converse in end-to-end supply chain and highly skilled in demand planning, order fulfilment, inventory management, data analytics, supply chain optimization, supplier management, distribution centre operation excellence, contract management, vendor development, IT system development and project management as well as the business digitalisation.

He graduated from University Sains Malaysia with a Bachelor of Science in Computer Science and Management in 1987.

(h) **Zulhazri Razali**, Malaysian, aged 57
Head of Government Business Division

Zulhazri was appointed as the Executive Vice President of the Commercial Division on 1 June 2014 and subsequently appointed as Head of the Government Business Division on 1 August 2024. He joined Pharmaniaga in 1994 as an Assistant Manager of Customer Care. He continued expanding his career in the Company by developing his skills and knowledge in warehouse management, supply chain, international business, sales marketing, finance and business strategy.

He currently oversees the Sales and Marketing Division and identifies strategic business potential for the Group's healthcare portfolios in local private and Government sectors. He provides extensive leadership by effectively communicating strategic goals and plans and drives operational efficiency profitably. Understanding the latest market scenarios and competitive landscape. in the industry is the key area that he constantly shares with others for the benefit of the Company and the Group's future direction.

He graduated from University of Manchester, United Kingdom with a Bachelor of Science in Pharmacy in 1991 and Master of Business Administration in 2010.

(i) **Ahmad Abu Bakar**, Malaysian, aged 55
Head of Indonesia Operations Division

Ahmad was appointed as the President Director of PMPT at the Annual General Meeting and Extraordinary General Meeting on 16 July 2020. On 1 August 2024, Ahmad was appointed as the Head of Indonesia Operations Division. Prior to this, he was a Director of the Company since 29 September 2011.

Prior to joining PMPT, he was the Branch Manager of Pharmaniaga Logistics Sdn Bhd's northern branch in Penang for 7 years. Whilst stationed there, he was responsible in running and managing the logistics and distribution operations of the branch, which served customers mainly in the 4 northern states of Peninsular Malaysia.

He graduated from Bradford University, United Kingdom with a degree in Pharmacy in 1993 and is a registered pharmacist in Malaysia. He spent 1 year as a pre-registration pharmacist at Bradford Royal Infirmary and Lipha Pharmaceutical Ltd, United Kingdom. He has more than 28 years of pharmaceutical experience and has worked in various fields of pharmacy; namely retail and wholesale pharmacy, manufacturing, private hospital, pharmaceuticals' logistics and distribution field and part-time teaching of students pursuing a diploma in Pharmacy.

(j) **Mohd Izwan Ishak,** Malaysian, aged 45
Head of Manufacturing Division

Mohd Izwan is the Head of Manufacturing Division of Pharmaniaga. He joined Pharmaniaga Berhad in 2011 and has held several roles, from Head of Production Section to General Manager of Pharmaniaga Manufacturing Berhad, and subsequently appointed to his current position on 1 February 2024.

He has over 23 years of experience in the pharmaceutical industry, and leads Pharmaniaga's four plants located throughout Malaysia. Apart from overseeing the supply performance and continuous improvement activities of each plant, he left the capacity balancing improvement including the readiness of manufacturing facilities, utilities, equipment and developed organisational capability. Prior to joining Pharmaniaga, he was a New Product Development Manager at GlaxoSmithKline (M) Sdn Bhd.

He graduated from Universiti Putra Malaysia with a Bachelor of Accounting (Hons) in 2002.

(k) **Mahendran A/L Punusamy**, Malaysian, aged 49
Head of Private Marketing and Sales Division

Mahendran is the Head of Private Marketing and Sales Division of Pharmaniaga. He joined PMSB in 2008 and has held several roles from Senior Executive, International Sales to Head of Marketing Research and Ethical, and subsequently was appointed to his current position on 1 August 2024.

He has over 22 years of experience in sales and marketing. Prior to joining Pharmaniaga, he was a Senior Sales Executive at Novartis Corporation (M) Sdn Bhd.

He graduated from University Malaya with a Bachelor of Science (Hons) in Microbiology in 1998.

(l) **Dr. Israfil Merican Fazil Merican**, Malaysian, aged 41
Head of Biopharma and Patient Access

Dr. Israfil Merican began his journey at PRCSB on 1 March 2023, as the Head of Medical Affairs. On 1 December 2024, he took on the role of Head of Biopharma and Patient Access at PMSB. In this position, he oversees all Biopharma-related functions, including medico-marketing, market access, and biopharma marketing and sales.

He brings over 15 years of diverse experience in various sectors of the industry, establishing himself as a versatile healthcare and business leader, in addition to being a seasoned medical practitioner.

Dr. Israfil Merican graduated with a Medical Degree (MD) from I.M. Sechenov Moscow Medical Academy in the Russian Federation in 2009 and earned a Master of Health Management from the University of New South Wales (UNSW), Australia, in 2016.

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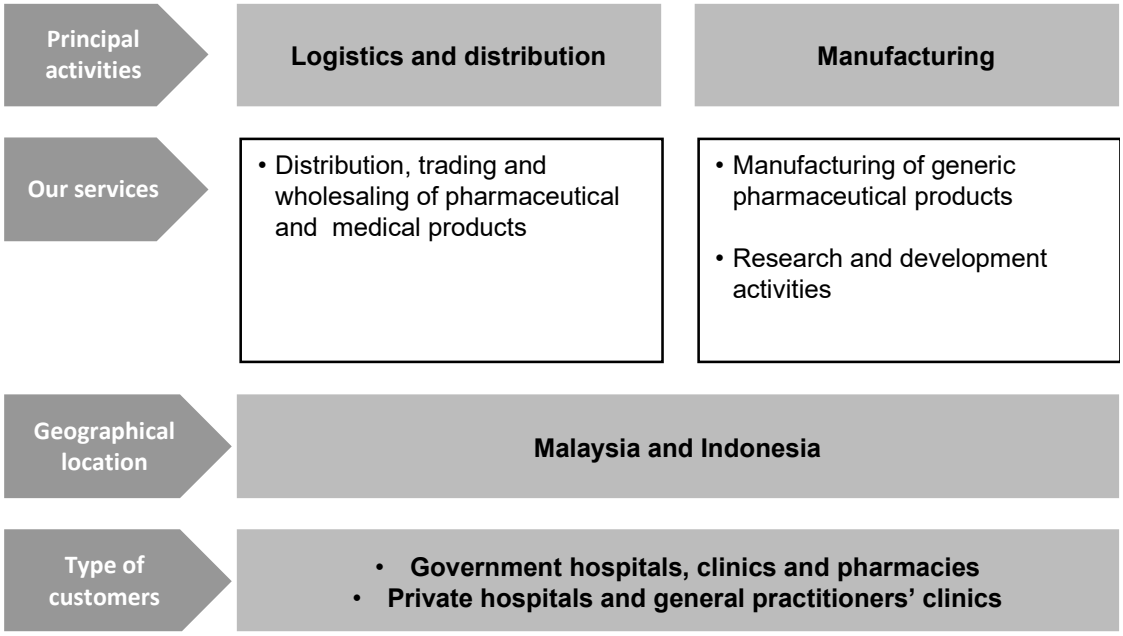
8. Business model



(a) Logistics and distribution

The Group is involved in the logistics and distribution business whereby it provides supply chain management, procurement, order management, warehousing and product distribution services for pharmaceutical products to its customers. The Group owns 5 distribution centers and warehouses in Malaysia, namely, 2 in Selangor and 1 each in Penang, Sabah and Sarawak with fleet of more than 300 vehicles operating. Additionally, the Group has an additional 7 storage warehouses, with 3 located in the Klang Valley, 2 Sabah, 1 in Penang and 1 in Sarawak.

The Group's logistics and distribution business segment operates through concession agreements and long-term contracts with its customers. On 12 July 2023, MoH has awarded a renewal of medical supply logistics services to PLSB, a wholly owned subsidiary of the Group, for a period of 7 years to all of its facilities, starting from 1 July 2023 and set to expire on 30 June 2030. Subsequently on 3 January 2024, PLSB entered into the Concession.

PMPT, which is publicly traded, has grown steadily by double digits since joining the Group in December 2004. PMPT is one of the top ten pharmaceutical logistics and distribution companies in Indonesia, with a central warehouse in Jakarta and 36 branches throughout the country. PMPT's main revenue contributor is the sale of ethical drugs, over-the-counter products and disposable medical supplies for 30 Principals, including PEP.

(b) Manufacturing

The Group is involved in the manufacturing of generic pharmaceutical products, such as, oral solids, granules, oral liquids, semisolids and small volume injectables. The Group has 4 pharmaceutical manufacturing facilities in Malaysia, namely PMB in Bangi, Selangor, PLSSB in Puchong, Selangor, IPMSB in Sungai Petani, Kedah and Seri Iskandar, Perak. Kindly refer to **Section 9 of this Appendix** for further information on the Group's manufactured pharmaceutical products.

The Group's manufacturing business segment receives its orders through purchase orders issued by PLSB and PMSB as well as orders from international partners and contract manufacturing customers. Kindly refer to **Section 10 of this Appendix** for further information on the Group's on-going contracts and orderbook.

PEP, a subsidiary of the Company in Indonesia, is a manufacturer of pharmaceutical and over-the-counter products such as, general pharmaceutical (solid, semi-solid, liquid) and penicillin plants (solid and dry syrup). Joining the Group in 2014, PEP employs close to 300 individuals and has registered 122 different products to date. As part of its strategy to increase its overall market share, PEP intends to roll out 9 new products annually.

The Group's manufacturing business segment also undertakes R&D activities in its research centre in Bukit Raja, Selangor. The Group develops pharmaceuticals, biopharmaceuticals and over-the-counter products, which covers various therapeutic segments. Kindly refer to **Section 15 of this Appendix** for further information on the Group's R&D activities.

9. Products and services

Products

The Group principally manufactures wide range of products spanning across therapeutic categories including cardiovascular system, respiratory, anti-infectives, anti-diabetic and pain management. Some of the generic names of Pharmaniaga's product includes:

Malaysia

(a) Cardiovascular

- Rosuvastatin
- Perindopril
- Simvastatin
- Amlodipine
- Irbesartan

(b) Respiratory

- Montelukast
- Desloratadine
- Diphenhydramine
- Dextromethorphan
- Levocetirizine Dihydrochloride
- Chlorpheniramine Maleate

(c) Anti-infectives

- Co-amoxiclav
- Azithromycin
- Cefuroxime
- Cloxacillin
- Clarithromycin
- Linezolid

(d) Anti-diabetic

- Metformin
- Gliclazide

(e) Pain management

- Paracetamol
- Celecoxib
- Pregabalin
- Naproxen

Indonesia

(a) Cardiovascular

- Amlodipine
- Captopril

(b) Respiratory

- Theophylline Anhydrous
- Terbutaline Sulphate

(c) Anti-infectives

- Amoxicillin
- Ampicillin
- Amoxycillin and Potassium Clavulanate

(d) Pain management

- Paracetamol
- Paracetamol and Glyceryl Guaiacolate

Services

The Group utilises its distribution centers and warehouses, as well as its fleet of over 300 vehicles for its logistics and distribution business segment services which are as follows:

(a) Supply chain management

The Group's supply chain management services assist its customers to manage the flow of goods from the moment the goods arrive at the warehouse up to the delivery of the goods to the end customer. Some of the services provided by the Group's supply chain management services are concession and contract management, inventory management and vendor management.

(b) Procurement

The Group's procurement services enable its customers and vendors to manage their supply chain process, mainly central procurement and inventory management of healthcare products to clientele such as MoH and other government institutions, as well as private healthcare facilities. This enables customers to enjoy bulk purchase volume discount from tender process and centralised buffer inventory holding which minimises their carrying cost and wastage.

(c) Order management

The Group's order management services assist its customers in processing their orders and managing the goods for delivery from the warehouse. Some of the services provided by the Group's order management services are order processing, order management and invoicing and service engagement.

(d) Warehousing

The Group's warehousing services provide its customers, which mainly consist of Principals and product owners, with multi-temperature product storage facilities for order fulfillment. These services may also include value-added services such as relabeling and repackaging upon request, as well as cold chain management and fleet management. With warehouses located across Malaysia, the Group can provide its customers with fast responses in meeting the demands of their end customers.

(e) Product distribution services

The Group's product distribution services provide its customers with delivery services using its own fleet of vehicles and delivery partners to all public and private healthcare facilities, wholesaler, retail pharmacy, institution, and consumers, from its distribution centres. The Group's product distribution services also provide market expansion value added services and sustainability in achieving high customer satisfaction with timely delivery to meet their needs. Service under this segment extends to include market expansion value added services, a provision of end-to-end distribution services to businesses in order to enter into a new market. This includes services such as third-party logistics/fourth-party logistics (3PL/4PL), order management and collections, as well as sales and marketing services. The integrated nature of the Group's businesses provides an excellent platform for this potential business segment.

10. On-going contracts / orderbook

As at the LPD, the total remaining contract values for the on-going contracts and orderbook secured by the Group are approximately RM102.6 million, of which are expected to be billed up to FYE 2027.

The breakdown of on-going contracts and/or orderbook secured by the Group expected to be recognised in respect of each financial year is as follows:

	FYE 2025 RM'000	FYE 2026 RM'000	FYE 2027 RM'000	Total RM'000
On-going contracts / orderbook	84,140	14,421	4,007	102,568[(1)]

Note:

(1) Excluding newly secured tenders of RM110.3 million which have not commenced delivery as at the LPD.

For the purpose of comparison, in FYE 2022, the Group recorded a total revenue of RM639.2 million from the same orderbook segment. The remaining revenue in FYE 2022 was contributed by the previous concession business in Malaysia with RM1,715.1 million, Indonesia operations with RM983.2 million and the private sector with RM173.1 million.

In addition to the above, the Group has tendered for 11 projects, which covers a diverse range of medical drug and non-drug products, with total tendered value amounting to approximately RM378.0 million and a standard contract period of up to 3 years. As at the LPD, the Group has secured 3 tenders with a total value of RM110.3 million, and the remaining tenders are still pending. No products have been delivered pursuant to the newly secured tenders as at the LPD.

11. Marketing strategies

In Malaysia, the Group's marketing activities are predominately carried out by Pharmaniaga Marketing Sdn Bhd supported by 228 employees whilst the Group's marketing activities in Indonesia are predominately carried out by PEP supported by 14 employees. These subsidiaries promote a wide range of pharmaceuticals, dentals and over-the-counter products to both public and private sectors.

As a leading pharmaceutical company, the Group's core mission is to provide high-quality healthcare solutions to improve the well-being of people across Malaysia. To achieve this, the Group has designed a range of marketing strategies tailored to its specific market, ethical considerations, and the unique needs of its customers, as summarised below:

(a) **Government tenders and local purchase orders ("LPO")**

The Group actively participates in government tenders and LPO, collaborating with various multinational partners to ensure vital pharmaceutical products are readily available to public health systems across various ministries, especially the MoH. Government tenders involve centralised procurement by the MoH, while LPO are individual procurements done by respective healthcare facilities.

(b) **Sales representatives deployment and continuous engagement with medical practitioners**

To effectively reach healthcare providers and institutions, the Group has deployed its team of sales representatives across Malaysia and Indonesia. These representatives act as crucial intermediaries between the Group and the medical community. Their expertise, professionalism, and strong relationships with healthcare practitioners facilitate the distribution of products and enable the Group to stay abreast of the evolving needs of the healthcare sector. Engagements through medical conferences, seminars, and symposiums provide valuable opportunities for knowledge exchange, scientific discussions, and insights into emerging healthcare trends.

Further, the Group's marketing strategies also includes focusing on certain therapeutic areas, such as, amongst others, cardiovascular system, diabetics, anti-infectives, respiratory, pain management and vaccines. The Group focuses on these therapeutic areas as these therapeutic areas can drive volume and assist the Group in expanding its existing product portfolio into new therapeutic areas in the future.

12. Seasonality

The Group's business operations are subject to seasonality, where it records lower quarterly revenue in the fourth quarter. This is attributed to its customers' closing of accounts, where orders will stop in early December before resuming in January.

13. Certificates, licences, registrations and permits

As at the LPD, the major certificates, licences, registrations and permits obtained by the Group are as follows:

(a) **Malaysia**

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
PMSB							
1.	PMSB	Wholesaler's Licence	NPRA	MALLB20250506A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP as defined by the Drug Control Authority	Yes
2.	PMSB	Certificate of conformity to Good Distribution Practice For Medical Devices ("**GDPMD Certificate**")	SIRIM	GDPMD 00119	6/9/2023 – 7/8/2026	Nil	Yes
3.	Zulhazri Bin Razali of PMSB	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	MBA1283/2025	31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
PLSB (Kuching, Sarawak)							
1.	PLSB Kuching, Sarawak	Wholesaler's Licence	NPRA	MALLB20250619A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	PLSB Kuching, Sarawak	GDPMD Certificate	SIRIM	GDPMD 00121 – S2	16/8/2023 – 7/8/2026	Nil	Yes
3.	Eunice Gan Ching Hui and Dayang Norfazilah Awang Zaidil of PLSB Kuching, Sarawak	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MQA0215/2025 2. MQA0214/2025	1. 31/12/2025 2. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes
PLSB (Kota Kinabalu, Sabah)							
1.	PLSB Kota Kinabalu, Sabah	Wholesaler's Licence	NPRA	MALLB20250221A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
2.	PLSB Kota Kinabalu, Sabah	GDPMD Certificate	SIRIM	GDPMD 00121 – S3	16/8/2023 – 7/8/2026	Nil	Yes
3.	PLSB Kota Kinabalu, Sabah (Kolombong Warehouse)	GDPMD Certificate	SIRIM	GDPMD 00121 – S8	16/8/2023 – 7/8/2026	Nil	Yes
4.	Tsen Mei Fong and Chong Li Xia of PLSB Kota Kinabalu, Sabah	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MSA0035/2025 2. MSA0036/2025	1. 31/12/2025 2. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes
PLSB (Juru and Perai, Pulau Pinang)							
1.	PLSB Juru	Wholesaler's Licence	NPRA	MALLB20250793A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	PLSB Juru	GDPMD Certificate	SIRIM	GDPMD 00121 – S1	16/8/2023 – 7/8/2026	Nil	Yes
3.	PLSB Perai	GDPMD Certificate	SIRIM	GDPMD 00121 – S6	16/8/2023 – 7/8/2026	Nil	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
4.	Husnah Binti Ismail and Amiruddin Bin Mohamed Isa of PLSB Juru	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MPA0103/2025 2. MPA0149/2025	1. 31/12/2025 2. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes
PLSB (Bukit Raja, Selangor)							
1.	PLSB Bukit Raja	Wholesaler's Licence	NPRA	MALLB20250685A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	PLSB Bukit Raja	GDPMD Certificate	SIRIM	GDPMD 00121	16/8/2023 – 7/8/2026	Nil	Yes
3.	PLSB Bukit Raja (Kudrat Warehouse)	GDPMD Certificate	SIRIM	GDPMD 00121 – S7	16/8/2023 – 7/8/2026	Nil	Yes
4.	Khubaib Bin Azahari, Aishah Binti Noor Azam and Amirah Binti Bahrain of PLSB Bukit Raja	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MBA1005/2025 2. MBA0002/2025 3. MBA0981/2024	1. 31/12/2025 2. 31/12/2025 3. 31/12/2024(1)	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
PLSB (Shah Alam, Selangor)							
1.	PLSB Sec 15, Shah Alam	GDPMD Certificate	SIRIM	GDPMD 00121 – S4	16/8/2023 – 7/8/2026	Nil	Yes
2.	PLSB Sec 23, Shah Alam	GDPMD Certificate	SIRIM	GDPMD 00121 – S5	16/8/2023 – 7/8/2026	Nil	Yes
3.	Pharmaniaga	GDPMD Certificate	SIRIM	GDPMD 00117	24/7/2023 – 7/8/2026	Nil	Yes
PMB (Bangi, Selangor)							
1.	PMB Bangi	Manufacturer's Licence	NPRA	MALLP20250246A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	PMB Bangi	Wholesaler's Licence	NPRA	MALLB20250344A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
3.	Nabilah Binti Mohamed Mustafa, Amnah Binti Othman, Ahmad Akram Bin Ismail and Mohamad Nadzlen Bin Ahamad of PMB Bangi	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MBA0491/2025 2. MBA0492/2025 3. MBA0493/2025 4. MBA0494/2025	1. 31/12/2025 2. 31/12/2025 3. 31/12/2025 4. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes
PLSSB							
1.	PLSSB	Manufacturer's Licence	NPRA	MALLP20250269A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	PLSSB	Wholesaler's Licence	NPRA	MALLB20250295A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
3.	Ahmad Syamsury Bin Sulaiman and Mohd Ridhwan Bin Kalantar Mastan of PLSSB	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MBA1426/2025 2. MBA1168/2024	1. 31/12/2025 2. 31/12/2024[(2)]	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
IPMSB (Sungai Petani, Kedah)							
1.	IPMSB, Sg Petani	Manufacturer's Licence	NPRA	MALLP20250154A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes
2.	Mohd Hanif Bin Mohd Salleh and Zakiah Binti Samsudin of IPMSB, Sg Petani	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MKA0167/2025 2. MKA0107/2025	1. 31/12/2025 2. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes
IPMSB (Seri Iskandar, Perak)							
1.	IPMSB, Seri Iskandar	Manufacturer's Licence	NPRA	MALLP20250155A	31/12/2025	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or GDP and/or other requirements as defined by the Drug Control Authority	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Expiry date/ Validity period	Major conditions imposed	Status of compliance
2.	Norhaliza Binti Mohamed Noori and Muhammad Syafiq Bin Che Abdullah of IPMSB, Seri Iskandar	Pharmacist's poisons licence (Type A Licence)	Pharmacy Enforcement, MoH	1. MAA0351/2025 2. MAA0236/2025	1. 31/12/2025 2. 31/12/2025	Comply with the provisions of Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it	Yes

Notes:

(1) The licence has been approved by Jabatan Kesihatan Negeri Selangor on 31 January 2025 via email. Nonetheless, the physical copy of the license has yet to be issued and collected. The Group anticipates to collect the license by the first quarter of 2025.

(2) As at LPD, the Group is in the process of renewing the licence and anticipates to receive the renewed licence to be approved by first quarter of 2025.

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(b) **Indonesia**

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Date of issuance or commencement / Expiry date/ Validity period	Major conditions imposed	Status of compliance
PEP							
1.	PEP	GMP - Penicillin Oral Powder and Its Derivatives	Badan Pengawas Obat dan Makanan (BPOM)	PW-S.01.04.1.3.331.05.24-0079	24/5/2024 - 23/5/2029	Comply to GMP standards	Yes
2.	PEP	GMP - Tablet of Penicillin and Its Derivatives	BPOM	PW-S.01.04.1.3.331.05.24-0078	24/5/2024 - 23/5/2029	Comply to GMP standards	Yes
3.	PEP	GMP - Non-betalactam Oral Liquid	BPOM	PW-S.01.04.1.3.331.08.22-0102	27/12/2022 - 26/12/2027	Comply to GMP standards	Yes
4.	PEP	GMP - Non-betalactam Semi Solid	BPOM	5932/CPOB/A/XII/20	26/5/2021 - 25/5/2026	Comply to GMP standards	Yes
5.	PEP	GMP - Non-betalactam Tablet	BPOM	PW-S.01.04.1.3.331.05.23-0064	15/5/2023 - 14/5/2028	Comply to GMP standards	Yes
6.	PEP	GMP - Non-betalactam Hard Capsule	BPOM	PW-S.01.04.1.3.331.05.23-0063	15/5/2023 - 14/5/2028	Comply to GMP standards	Yes
7.	PEP	Health Supplement Liquid	BPOM	PW.01.04.3.33.01.23-0001	6/1/2023 - 26/12/2027	Comply to GMP standards	Yes
8.	PEP	License for Perdagangan Besar Alat Laboratorium, Alat Farmasi Dan Alat Kedokteran Untuk Manusia	Kementerian Kesehatan Republik Indonesia	81201068002380010	2/10/2029	Comply to GDPMD standards	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Date of issuance or commencement / Expiry date/ Validity period	Major conditions imposed	Status of compliance
PMPT							
1.	PMPT	GDP Certification for Cold Chain Products (CCP) and other products	BPOM	CDOB1958/R/1-2109/08/2024	21/10/2029	Comply to GDP standards	Yes
2.	PMPT	Distribution License for Medicine, etc	Kementerian Kesehatan Republik Indonesia	SERTIFIKAT STANDART: 81201088422390025	20/2/2028	Comply to GDP standard	Yes
3.	PMPT	License for PIC Pedagang Besar Farmasi (PBF)	Dinas Kesehatan Provinsi	Apt. Andis Saputra, S.Far. No: 5/B.19/31.75.06/3/TM.09.19/e/2023	Apt. Andis Saputra, S.Far. ED: 13/5/2027	Comply to GDP standards	Yes
				Apt. Nadia Nurul Ulfa, S.Farm. No: 52/B.19/31.74.05.1006.26.K-1.b/3/TM.09.19/e/2024	Apt. Nadia Nurul Ulfa, S.Farm. ED: 11/2/2026		
4.	PMPT	License for Perdagangan Besar Alat Laboratorium, Alat Farmasi Dan Alat Kedokteran Untuk Manusia	Kementerian Kesehatan Republik Indonesia	81201088422390112	17/7/2028	Comply to GDPMD standards	Yes

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

No.	Licensee / contractor	Type/ Description	Issuing authority	Certificate no./ Licence no./ Reference no.	Date of issuance or commencement / Expiry date/ Validity period	Major conditions imposed	Status of compliance
5.	PMPT	GDP Certification for Cold Chain Product Distribution, including Vaccines and Biological Products	BPOM	CDOB1958/R/1-2109/08/2024	21/10/2029	Comply to GDP standards	Yes
6.	PMPT	GDP Certification for Medicinal Products except Narcotics and Cold Chain Products Distribution	BPOM	CDOB1958/R/4-5509/08/2024	21/10/2029	Comply to GDP standards	Yes
7.	PMPT	GDP – Medical Devices	Kementerian Kesehatan Republik Indonesia	PBMU: 81201088422390025 0001	11/10/2028	Comply to GDPMD standards	Yes

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14. Quality control and assurance

The Group places strong emphasis on quality control to ensure that the quality of its products and services provided complies with the relevant regulations and to maintain its reputation, as well as to build trust in the Group's brand and ensuring customer satisfaction. The Group has been accredited with the following accreditations:

(a) **Malaysia**

Company	Standard	Certificate No.	Scope	Issuing party	Validity period
PLSB (Bukit Raja, Seksyen 15, Juru, Kuching, Kota Kinabalu)	MS ISO 37001: 2016	ABMS 00120	Anti-Bribery Management Systems	SIRIM	7/3/2022 – 3/3/2025
PMB Bangi	MS ISO 37001: 2016	ABMS 00250	Anti-Bribery Management Systems	SIRIM	29/8/2022 – 28/8/2025
PLSSB	MS ISO 37001: 2016	ABMS 00268	Anti-Bribery Management Systems	SIRIM	14/1/2023 – 13/1/2026
IPMSB Sg Petani	MS ISO 37001: 2016	ABMS 00233	Anti-Bribery Management Systems	SIRIM	4/4/2022 – 3/4/2025
IPMSB Seri Iskandar	MS ISO 37001: 2016	ABMS 00233	Anti-Bribery Management Systems	SIRIM	4/4/2022 – 3/4/2025
PRCSB	MS ISO 37001: 2016	ABMS 00225	Anti-Bribery Management Systems	SIRIM	10/12/2024– 30/12/2027
PLSB (Bukit Raja, Seksyen 15, Perai, Kuching, Kota Kinabalu)	ISO 45001: 2018	OHS 00130	Occupational Health and Safety Management Systems	SIRIM	5/12/2023 – 16/12/2026
PMB Bangi	ISO 45001: 2018	OHS 00122	Occupational Health and Safety Management Systems	SIRIM	31/3/2023 –12/12/2025
PLSSB	ISO 45001: 2018	OHS 00592	Occupational Health and Safety Management Systems	SIRIM	21/2/2024 – 15/1/2027

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

Company	Standard	Certificate No.	Scope	Issuing party	Validity period
IPMSB Sg Petani	ISO 45001: 2018	OHS 00578	Occupational Health and Safety Management Systems	SIRIM	5/12/2023 – 20/11/2026
IPMSB Seri Iskandar	ISO 45001: 2018	OHS 00596	Occupational Health and Safety Management Systems	SIRIM	21/2/2024 – 29/1/2027
PLSB Bukit Raja	ISO 27001: 2013	ISMS 00244	Information Security Management Systems	SIRIM	23/4/2024 – 29/10/2025
PLSB (Bukit Raja, Seksyen 15, Perai, Kuching, Kota Kinabalu)	ISO 9001: 2015	QMS 00750	Quality Management Systems	SIRIM	5/12/2023 – 16/12/2026
PMB Bangi	ISO 9001: 2015	QMS 00853	Quality Management Systems	SIRIM	3/1/2023 – 12/12/2025
PLSSB	ISO 9001: 2015	QMS 02828	Quality Management Systems	SIRIM	21/2/2024 – 15/1/2027
IPMSB Sg Petani	ISO 9001: 2015	QMS 02790	Quality Management Systems	SIRIM	5/12/2023 – 20/11/2026
IPMSB Seri Iskandar	ISO 9001: 2015	QMS 02841	Quality Management Systems	SIRIM	21/2/2024 – 29/1/2027
PLSB (Bukit Raja, Seksyen 15, Perai, Kuching, Kota Kinabalu)	ISO 14001: 2015	EMS 00356	Environmental Management Systems	SIRIM	5/12/2023 – 16/12/2026
PMB Bangi	ISO 14001: 2015	EMS 00215	Environmental Management Systems	SIRIM	3/1/2023 – 12/12/2025
PLSSB	ISO 14001: 2015	EMS 00708	Environmental Management Systems	SIRIM	21/2/2024 – 15/1/2027
IPMSB Sg Petani	ISO 14001: 2015	EMS 00692	Environmental Management Systems	SIRIM	5/12/2023 – 20/11/2026

INFORMATION ON PHARMANIAGA GROUP (CONT'D)

Company	Standard	Certificate No.	Scope	Issuing party	Validity period
IPMSB Seri Iskandar	ISO 14001: 2015	EMS 00711	Environmental Management Systems	SIRIM	21/2/2024 – 29/1/2027
PMB Bangi	MS ISO/IEC 17025: 2017	SAMM 300	Laboratory Quality Management Systems	Department of Standards Malaysia	4/7/2023 – 7/6/2028
PLSSB	MS ISO/IEC 17025: 2017	SAMM 808	Laboratory Quality Management Systems	Department of Standards Malaysia	28/8/2023 – 26/1/2028
IPMSB (Sungai Petani)	MS ISO/IEC 17025: 2017	SAMM 1041	Laboratory Quality Management Systems	Department of Standards Malaysia	8/1/2025 – 10/1/2030
IPMSB (Seri Iskandar)	MS ISO/IEC 17025: 2017	SAMM 1014	Laboratory Quality Management Systems	Department of Standards Malaysia	15/10/2024 – 23/8/2029
PRCSB	MS ISO/IEC 17025: 2017	SAMM 294	Laboratory Quality Management Systems	Department of Standards Malaysia	5/1/2023 - 1/3/2028
PLSB Bukit Raja	ISO 18295-1: 2017	CCC 00105	Customer Contract Centres	SIRIM	30/9/2024 – 23/9/2027

(b) **Indonesia**

Company	Standard	Certificate No.	Scope	Issuing party	Validity period
PEP	ISO 9001:2015	18563/C/0001/UK/En	Quality Management System	United Registrar of Systems	12/11/24 - 11/11/27
PEP	ISO 14001:2015	18563/D/0001/UK/En	Environmental Management System	United Registrar of Systems	19/11/24 - 18/11/27

The Group's Quality Assurance department is responsible of maintaining the quality standards of the Group's products produced throughout its production process and the end products which are delivered to its customers. Some of the quality control and assurance procedures conducted by the Group are as follows:

(a) implementing the specified quality control measure;

(b) conducting internal inspections;

(c) investigation on product complaints and quality improvement;

(d) manufacturing records control and keeping;

(e) adherence of preventive maintenance programmes of facilities and utilities;

(f) conducting audit on suppliers; and

(g) final product release approval to the market.

Regulatory and quality compliance internal audits are conducted as part of the Group's internal control process. The Group makes a strong emphasis on stringent standards in quality assurance implementation to ensure the final products meet the product quality, safety, and efficacy for the end users.

Pharmaniaga has also embarked in environmental, social and governance ("**ESG**") journey. Pharmaniaga's commitment and support to this cause began in 2016 with the establishment of the Sustainability Framework to guide the Group in implementing best practices in sustainability management. This framework helps to accelerate the Group's journey in achieving its sustainability goals that encompass the economic, environmental, social and governance pillars.

Aligned with the nation's transition to a low-carbon economy, Pharmaniaga has taken several measures internally and across its value chain to reduce its carbon footprint. In 2022, the Group has embarked on a Decarbonisation Programme in supporting the Government's mission of achieving zero net carbon emission by 2050. The programme will accelerate Pharmaniaga's transition to a low-carbon economy, reduce energy consumption and carbon emission, and implement sustainability initiatives such as energy efficiency, renewable energy and electric vehicles. One of the long-term sustainability efforts initiated by the Group include the use of electric vehicles to deliver medicines to Government hospitals and clinics. Pharmaniaga's energy-efficient initiatives led to a reduction of 17.1% in the Group's greenhouse gas emissions in 2022 compared to the 2019 baseline year.

In terms of governance and integrity, the Group has obtained Anti-Bribery Management Systems ("**ABMS**") certifications for five of its subsidiaries as part of its zero-tolerance approach towards bribery and corruption across the business activities. In addition, the Group has dedicated and committed significant resources to ensuring the entire organisation across all levels are aware of the ABMS and its implementation. Some of the initiatives taken include organising a range of training and awareness sessions, including holding Integrity & Anti-Bribery roadshows and an Integrity Pledge with the Malaysian Anti-Corruption Commission.

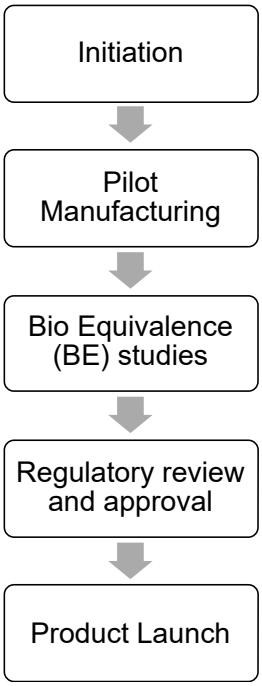
15. R&D

Majority of the Group's R&D activities are conducted in its research centre in Bukit Raja, Selangor, which consists of 54 scientists as at the LPD, with the aim to provide accessible and affordable pharmaceutical products, as well as to cater to the developments in the medical and pharmaceutical industry. In the event that the Group is at maximum capacity, it will outsource some of the activities to contract laboratories.

The R&D activities are spearheaded by Dr. Badarulhisam Abdul Rahman, the Chief Scientific Officer, who has more than 20 years of experience in the pharmaceutical industry. The Group develops pharmaceuticals, biopharmaceuticals and over-the-counter products, which covers various therapeutic segments which includes, amongst others, cardiovascular, respiratory, gastrointestinal, diabetes, analgesics, anti-infective, as well as vaccines, insulin and health supplements.

New products that will be formulated and manufactured in-house are identified in advance to ensure timely completion of its registration to enable the Group to be amongst the first to market such generic products. These products are identified based on various factors, including originator pattern cliffs, projected demand from local market and feasibility in terms of pricing and manufacturing. At any particular time, the Group has a product pipeline consisting of future products throughout the 10-year horizon. This is known as the 10-year product wall, and such product list is constantly updated from time to time to include any new molecules. The product wall primarily focuses on originator products that are nearing pattern expiry. As a generic pharmaceutical manufacturer, the R&D activities are mostly focused on formulating generic versions of the originator products through various scientific processes. The Group has successfully developed and registered 108 in-house products and 93 third-party products from 2011 to 2024. As at the LPD, the Group has obtained 7 additional registration approvals in 2025 from NPRA with over 20 additional products which are pending approval.

The Group's R&D process flow is as follows:



(a) **Initiation**

Products that have been identified for formulation and manufacturing will be reviewed and approved through an internal committee that reviews its feasibility and potential. Once the product has been approved, procurement for raw materials to formulate the product as a prototype will be initiated. This prototype will be used to determine the composition and quantity of excipients, API source and optimal process required to ensure that the product developed are comparable or matches the reference listed drug products in terms of stability, quality and efficacy.

(b) **Pilot manufacturing**

Once the prototype is formulated, relevant information and data will be submitted to the relevant regulatory bodies to obtain its permission prior to pilot manufacturing. At the same time, Clinical Trial Exemption ("**CTX**") or Clinical Trial Import License application will be submitted. Once CTX approval is obtained, a GMP pilot batch will be manufactured at the plant facility. Stability studies will be conducted on this batch to obtain further information or data required for product registration with regulatory bodies.

(c) **Bio Equivalence studies**

Subsequently, the product will undergo Bio Equivalence studies whereby the product will be performed on human subjects to evaluate the efficacy and performance of the product against the comparator product. This is conducted to identify the equivalency in human subjects. In the event that the results obtained are within the prescribed specification, the product will be designated as bio-equivalent and will be eligible to be filed with regulatory bodies for product registration.

(d) **Regulatory review and approval**

All relevant information will be prepared into a full dossier and submitted to regulatory bodies for approval. They will conduct extensive review on the submitted dossier. During the review, the Group will be required to reply queries in a timely manner to obtain the bodies' approval. Aside from that, for locally registered products, 3 batches will be manufactured upon obtaining approval for the new product. The manufactured and analysed data from these batches are compiled as PV report and is submitted to the regulatory bodies before the batches can be commercialised in the market.

(e) **Product launch**

Once product registration is approved by the relevant regulatory authority, the product can be launched for commercialisation. Commercialisation is usually done by the Group's Marketing department to target key segments within the market.

The Group's R&D expenditures are mainly for its development activities which are related to manpower costs, procuring consumables, solvents raw material and packaging material required for the development activities. The total R&D costs incurred by the Group for FYE 2018 to FYE 2023 are as follows:

		FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FYE 2022**	**FYE 2023**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total costs	R&D	14,492	23,517	23,221	20,088	21,992	13,425

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16. Competitive advantage and key strengths

(a) Experienced key management

The Group is spearheaded by Zulkifli Jafar, the Managing Director who assumes the responsibilities of formulating, directing and executing the Group's business strategies and expansion plans. He is supported by the Group's management team which has vast knowledge and experience in their respective fields. The Group's key management is as follows:

Name	Designation	Years of relevant working experience
Zulkifli Jafar	Managing Director	28
Ahmad Shahredzuan Mohd Shariff	Chief Operating Officer	19
Norai'ni Mohamed Ali	Chief Financial Officer	33
Dr. Badarulhisam Abdul Rahman	Chief Scientific Officer	22
Wan Intan Idura Wan Ismail	Chief Governance Officer	19
Hayat Al-Mazli Yahaya	Acting Head of Human Capital Management and Administration Division	33
Abdul Malik Mohamed	Head of Logistics and Distribution Division	23
Zulhazri Razali	Head of Government Business Division	32
Ahmad Abu Bakar	Head of Indonesia Operations Division	30
Mohd Izwan Ishak	Head of Manufacturing Division	24
Mahendran A/L Punusamy	Head of Private Marketing and Sales Division	23
Dr. Israfil Merican Fazil Merican	Head of Biopharma and Patient Access	15

In addition to the Group's key management, the Group is supported by over 50 technical experts and scientists. The technical experts, comprising pharmacists, chemists, regulatory affairs and clinical affairs specialists, are responsible for product development whilst the scientists are responsible for conducting the Group's R&D activities.

Kindly refer to **Section 7** and **Section 15** of this **Appendix** for further information on the profiles of the Group's key management and the Group's R&D activities respectively.

(b) Track record and established footprints in Malaysia and Indonesia's pharmaceutical industry

The Group has a track record of over 30 years in the pharmaceutical industry, as well as an established footprint in Malaysia and Indonesia. It was awarded its first concession in 1994, a 15-year concession to supply medical drugs and non-drugs to general hospitals and clinics in Malaysia. Since then, it has continuously expanded its operations organically via its R&D activities, as well as via acquisition of companies which complement the Group's business operations.

Further, the Group's established track record has enabled it to secure concessions to supply medical products to general hospitals and clinics from the MoH. On 12 July 2023, MoH awarded a renewal of medical supply logistics services to PLSB, a wholly owned subsidiary of the Group; for a period of 7 years to all of its facilities, starting from 1 July 2023. Subsequently on 3 January 2024, PLSB entered into the Concession.

(c) Integration capabilities of the Group as a pharmaceutical provider

The Group is in a unique position with integration capabilities as a pharmaceutical provider within the Malaysian and Indonesian pharmaceutical industry as the Group's business operations of logistics and distribution, manufacturing, R&D, as well as marketing activities enables it to cross sell its products and services to its customers.

In addition, the Group is strategically positioned to further expand its business operations organically via its R&D and manufacturing capabilities. Its logistics and distribution network and capabilities will also enable it to efficiently store and distribute additional products under each respective product's optimal condition. As at the LPD, the Group has 1 research facility and 5 manufacturing facilities, 4 in Malaysia and 1 in Indonesia to support its R&D and manufacturing activities. The Group owns 8 distribution centers and warehouses with 5 located in Malaysia and 3 in Indonesia, as well as 34 Principals and 36 branches to support its logistics and distribution activities in Indonesia. The Group has successfully developed and registered 101 in-house products and 80 third-party products from 2011 to 2023. As at the LPD, the Group has obtained 20 additional registration approvals in 2024 and 7 additional registration approvals in 2025 from NPRA with over 20 additional products which are pending approval.

(d) Strong capabilities in pharmaceutical R&D which is supported by over 50 technical experts and scientists

The Group has strong capabilities in pharmaceutical R&D which is supported by over 50 technical experts and scientists. The Group's R&D activities aim to provide accessible and affordable pharmaceutical products, as well as to cater to the developments in the pharmaceutical industry. Further, the Group's R&D activities complement its manufacturing business segment as the Group will be able to improve on existing pharmaceutical products, as well as develop new pharmaceutical products. The Group's R&D activities have enabled it to develop pharmaceuticals, biopharmaceuticals and over-the-counter products, which covers various therapeutic segments including, amongst others, cardiovascular, respiratory, gastrointestinal, diabetes, analgesics, anti-infective, as well as vaccines, insulin and health supplements. Kindly refer to **Section 15 of this Appendix** for further information on the Group's R&D activities including its past success.

Moving forward, the Group intends to increase its R&D activities to formulate new high-value generic pharmaceutical products. Kindly refer to **Section 8.3(a)** of this Circular for further details of the Group's future plans and strategies in regard to its R&D activities.

(e) Pioneering in halal biopharmaceutical through establishment of halal biopharmaceutical plant which is in compliance with the GMP standards

The Group is pioneering in halal biopharmaceutical through establishment of its halal biopharmaceutical plant which is in compliance with the GMP standards. The biopharmaceutical plant is located at Puchong, Selangor with a built-up area of approximately 301,830.8 sq ft. This manufacturing plant was initially built to manufacture small volume injectables with a capacity of 20 million ampoules and 15 million vials annually.

However, during the COVID-19 pandemic, the production lines were repurposed to enable the Group to fill-finish manufacture the bulk vaccines from Sinovac Biotech into vials. In 2021, the Group successfully fill-finish manufactured over 16.5 million doses of CoronaVac COVID-19 vaccines from Sinovac Biotech. As the Company realigns its focus towards biopharmaceutical products, this plant has undergone further renovations in 2022 and 2023 to be equipped with pre-filled syringes and cartridges production lines. The estimated production capacity of these 2 new lines are 25 million pre-filled syringes and 30 million cartridges per annum for vaccines and insulin, respectively.

The biopharmaceutical plant will be utilised for the Group's manufacturing of vaccine, insulin and complex biologics. Further, as the biopharmaceutical plant is in compliance with the GMP standards, the Group intends to penetrate into the international market upon attaining the relevant European Union certifications to comply with the local regulatory criteria.

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17. Related party transactions

Save for as disclosed below, there are no transactions, existing and/or potential, entered or to be entered into by the Group which involve the interests, direct or indirect, of the Directors, substantial shareholders and/or persons connected with them which are material to the Group for the FYE 2023, FYE 2024 and up to the LPD:

Non-recurrent related party transactions

				Value of transactions					
				Audited FYE 2023		FYE 2024		1 January 2025 up to the LPD	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%
1.	BHB	Immediate holding company	Shareholder's advance	50,000	N/A[1]	-	-	-	N/A
2.	BHB	Immediate holding company	Interest on the shareholder's advance	-	-	3,378	N/A	300	N/A

Recurrent related party transactions

				Value of transactions					
				Audited FYE 2023		FYE 2024		1 January 2025 up to the LPD	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%
1.	BHB	Immediate holding company	Management fees	308	0.1%[2]	306	N/A	-	N/A
2.	BHB	Immediate holding company	Corporate and administrative support services	393	0.1%[2]	716	N/A	20	N/A
3.	Boustead Travel Services Sdn Bhd	Subsidiaries of the immediate holding company	Provision of traveling services	560	0.2%[2]	789	N/A	47	N/A
4.	Boustead Hotels & Resorts Sdn Bhd	Subsidiaries of the immediate holding company	Provision of accommodation	550	0.2%[2]	14	N/A	-	N/A
5.	Generali Insurance Malaysia Berhad (formally known as AXA Affin General Insurance Berhad)	Subsidiaries of the immediate holding company	Provision of insurance costs	76	-[2]*	2,402	N/A	9	N/A

No.	Transacting parties	Nature of relationship	Nature of transaction	Value of transactions					
				Audited FYE 2023		FYE 2024		1 January 2025 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%
6.	Boustead Global Risk Solution Sdn Bhd	Subsidiaries of the immediate holding company	Provision of insurance costs	-	-	314	N/A	-	N/A
7.	Boustead Shipping Sdn Bhd	Subsidiaries of the immediate holding company	Provision of freight forwarding and transportation services	16,198	0.5%(3)	14,940	N/A	1,973	N/A
8.	Boustead Petroleum Marketing Sdn Bhd	Subsidiaries of the immediate holding company	Purchase of petroleum products	267	*(3)	121	N/A	-	N/A

Notes:

* *Negligible*

(1) *Not applicable as shareholder's advance is a liability to the Group.*

(2) *Calculated based on administrative expenses of RM328.3 million for the FYE 2023.*

(3) *Calculated based on cost of sales of RM3,096.7 million for the FYE 2023.*

18. Interest of Directors and substantial shareholders in other businesses carrying a similar trade as the Group or a customer or supplier of the Group.

As at the LPD the Directors and substantial shareholders of Pharmaniaga does not have any interests in other businesses carrying a similar trade or a customer or supplier of the Group. Please refer to Section 17 of Appendix I of this Circular on the list of related party transactions of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE PHARMANIAGA GROUP

The following management's discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the audited consolidated financial statements of Pharmaniaga for the FYE 2018 to the FYE 2023 and the unaudited condensed consolidated financial statements of Pharmaniaga for the financial period ended ("**FPE**") 30 September 2023 ("**FPE 2023**") and 30 September 2024 ("**FPE 2024**").

1. Overview

The Group operates in 3 business segments, namely logistics and distribution ("**Logistics and Distribution**"), manufacturing ("**Manufacturing**") and Indonesia ("**Indonesia**"). The core business activities were as follows:

(a) Logistics and Distribution – distribution, trading and wholesaling of pharmaceutical and medical products as well as supply and installation of medical and hospital equipment in Malaysia;

(b) Manufacturing – manufacturing of pharmaceutical products in Malaysia; and

(c) Indonesia – manufacturing and distribution of pharmaceutical and medical products in Indonesia. The Group's Indonesia operations have been aggregated into 1 reportable segment as it is reflective of the Group's business synergy in Indonesia, it is closely monitored as a potential growth region and is expected to materially contribute to the Group's revenue in the future.

Kindly refer to **Appendix I** of this Circular for further information on the Group's business operations.

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2. Historical audited financial information

2.1 Consolidated statements of comprehensive income

A summary of the key financial information of the Group for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 is set out in the table below:

	Section	Audited FYE						Unaudited	
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022[1] RM'000 Restated	2023 RM'000	FPE 2023 RM'000	FPE 2024 RM'000
Revenue	3.1	2,384,956	2,820,530	2,725,071	4,815,015	3,480,935[2]	3,404,481[2]	2,614,674	2,833,037
Cost of sales	3.2	(2,062,845)	(2,726,549)	(2,429,875)	(4,185,000)	(3,690,523)	(3,096,660)	(2,313,271)	(2,398,694)
Gross profit/(loss)	3.3	**322,111**	**93,981**	**295,196**	**630,015**	**(209,588)**	**307,821**	**301,403**	**434,343**
Other income	3.4	959	1,245	1,276	1,503	3,118	2,649	1,493	2,080
Administrative expenses	3.5	(217,677)	(248,225)	(227,610)	(322,642)	(314,716)	(328,267)	(299,217)	(203,582)
Impairment of intangible assets	3.6	-	-	-	-	(50,274)	-	-	-
Finance costs	3.7	(36,072)	(40,258)	(33,702)	(33,324)	(40,038)	(61,843)	(45,570)	(53,836)
Interest income	3.8	899	1,392	633	1,523	910	1,477	1,167	1,858
Profit/(Loss) before zakat and taxation	3.10	**70,220**	**(191,865)**	**35,793**	**277,075**	**(610,588)**	**(78,163)**	**(40,724)**	**180,863**
Zakat	3.9	(1,071)	(2,240)	(2,522)	(24,073)	(209)	-	-	-
Taxation	3.9	(25,919)	44,658	(7,002)	(80,797)	(16,857)	(581)	(3,233)	(49,519)
Profit/(Loss) for the year	3.10	**43,230**	**(149,447)**	**26,269**	**172,205**	**(627,654)**	**(78,744)**	**(43,957)**	**131,344**
Profit/(Loss) attributable to:									
- Owners of the parent		42,468	(149,219)	27,489	172,150	(629,921)	(80,160)	(44,731)	129,475
- Non-controlling interests		762	(228)	(1,220)	55	2,267	1,416	774	1,869
GP margin/(GL margin)[3] (%)		13.5	3.3	10.8	13.1	(6.0)	9.0	11.5	15.3
PBT margin/(LBT margin)[4] (%)		2.9	(6.8)	1.3	5.8	(17.5)	(2.3)	(1.6)	6.4
PAT margin/(LAT margin)[5] (%)		1.8	(5.3)	1.0	3.6	(18.0)	(2.3)	(1.7)	4.6
Effective tax rate[6]		36.9	[7]N/A	19.6	29.2	[7]N/A	[7]N/A	[7]N/A	27.4
No. of Shares in issue ('000)[8]		1,302,525	1,306,150	1,308,530	1,309,959	1,310,209	1,441,229	1,342,844	1,441,229
Net EPS/(LPS)[9] (sen)		3.3	(11.4)	2.0	13.2	(48.0)	(5.9)	(3.3)	9.0

Notes:

(1) *The under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, caused unprecedented disruptions in supply chain and unexpected surge in demand. These have severely impacted on the delivery of products from the Group's vendors which fell short and subsequently affecting the Group's ability to distribute the supplies to the MoH's health facilities. The situation was further exacerbated by the imposition of strict movement control orders, reduced workforce resulting from quarantine and other health protocols, shortage of shipping containers, as well as warehouses functioning below their usual operational capacity. As such, the Group had incurred prior year adjustments for the FYE 2022 which resulted in the following changes ("**Prior Year Adjustments**"):*

	As previously reported RM'000	*As restated RM'000*
FYE 2022		
Revenue	*3,510,677*	*3,480,935*
Gross loss	*(179,846)*	*(209,588)*
Loss before zakat and taxation	*(580,846)*	*(610,588)*
Taxation	*(23,995)*	*(16,857)*
Loss for the year	*(605,050)*	*(627,654)*
GL margin(3) (%)	*(5.1)*	*(6.0)*
LBT margin(4) (%)	*(16.6)*	*(17.5)*
LAT margin(5) (%)	*(17.2)*	*(18.0)*
Net LPS(9) (sen)	*(46.2)*	*(48.0)*

(2) *Penalty charges were set off against revenue. Penalty charges consist of late delivery of products to hospitals under concession and non-concession businesses.*

(3) *GP/GL divided by total revenue.*

(4) *PBT/LBT divided by total revenue.*

(5) *PAT/LAT divided by total revenue.*

(6) *Effective tax rate is calculated based on taxation recorded by the Group divided by PBT/LBT.*

(7) *Not applicable due to LBT.*

(8) *Number of Shares as at each respective financial year end, after adjusting for the proposed bonus issue on the basis of 4 bonus shares for every 1 existing Share ("**Bonus Issue**") which was successfully completed on 7 July 2021.*

(9) *Profit/loss attributable to owners of the parent divided by total weighted average number of Shares in issue during the respective financial year and adjusted to reflect the effect of the Bonus Issue.*

2.2 Consolidated statements of financial position

	Section	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021[1] RM'000 Restated	2022 [1] RM'000 Restated	2023 RM'000	30 September 2024 RM'000
Assets								
Non-current assets	4.1							
Property, plant and equipment ("**PPE**")		406,407	382,268	365,529	364,617	404,188	515,319	516,857
Right-of-use assets		-	27,842	32,942	30,973	38,846	90,429	86,790
Prepaid lease payments		2,098	-	-	-	-	-	-
Intangible assets		400,892	200,342	205,037	208,013	160,561	149,558	150,074
Deferred tax assets		39,796	48,139	50,405	52,539	48,890	52,082	51,644
		849,193	**658,591**	**653,913**	**656,142**	**652,485**	**807,388**	**805,365**
Current assets	4.2							
Inventories		693,020	617,909	586,713	1,264,369	767,263	580,643	620,345
Amounts due from related companies		-	-	35	31	13	9	-
Trade receivables		222,779	204,100	237,411	227,849	261,751	285,220	519,279
Other receivables		89,137	63,032	50,486	69,368	80,235	83,958	117,764
Amount due from immediate holding company		9	14	7	-	-	-	-
Tax recoverable		17,926	19,069	10,896	18,297	32,695	30,195	17,085
Deposits, cash and bank balances		35,655	29,587	40,696	52,359	52,849	127,441	66,428
		1,058,526	**933,711**	**926,244**	**1,632,273**	**1,194,806**	**1,107,466**	**1,340,901**
Total assets		**1,907,719**	**1,592,302**	**1,580,157**	**2,288,415**	**1,847,291**	**1,914,854**	**2,146,266**

	Section	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021[1] RM'000 Restated	2022 [1] RM'000 Restated	2023 RM'000	30 September 2024 RM'000
Equity and liabilities								
Equity	4.3							
Share capital		149,401	151,879	153,339	154,051	154,189	200,046	200,046
Exchange reserve		1,036	3,289	452	1,016	(2,281)	149	(5,419)
Revaluation reserve		-	-	-	-	-	100,534	100,710
Share reserves		8,015	7,191	1,996	1,670	3,624	3,624	3,624
Retained earnings/ (Accumulated losses)		350,884	175,492	181,741	195,377	(525,226)	(603,419)	(473,879)
		509,336	**337,851**	**337,528**	**352,114**	**(369,694)**	**(299,066)**	**(174,918)**
Non-controlling interests		19,327	19,075	17,437	19,979	21,386	24,976	24,750
Total equity/(Capital deficiency)		**528,663**	**356,926**	**354,965**	**372,093**	**(348,308)**	**(274,090)**	**(150,168)**
Non-current liabilities	4.4							
Government grants		4,630	4,289	3,948	3,617	3,358	3,097	2,901
Borrowings		102	316	337	285,170	92,627[2]	139,372	113,590
Lease liabilities		-	2,125	590	441	4,038	341	2,112
Deferred tax liabilities		59,191	18,066	16,239	21,352	18,815	32,846	28,659
Provision for defined benefit plan		8,306	9,999	10,259	9,079	9,051	10,841	11,032
		72,229	**34,795**	**31,373**	**319,659**	**127,889**	**186,497**	**158,294**

	Section	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021[1] RM'000 Restated	2022 [1] RM'000 Restated	2023 RM'000	30 September 2024 RM'000
Current liabilities	4.4							
Amounts due to related companies		2,429	2,230	2,977	4,890	7,671	8,023	7,137
Trade payables		572,257	548,994	441,562	677,633	648,019	627,781	754,802
Other payables		71,033	75,286	70,549	304,785	296,496	245,504	163,015
Amount due to immediate holding company		390	190	74	1,208	688	50,515	51,715
Contract liabilities		242	6,387	6,567	22,128	31,017	8,899	6,635
Government grants		341	341	341	332	260	260	260
Borrowings		642,745	564,981	669,272	570,056	1,066,272[2]	1,047,727	1,120,037
Lease liabilities		-	1,457	1,551	1,193	5,155	3,943	2,973
Current tax liabilities		4,365	715	926	14,438	4,273	9,795	31,566
Dividend payable		13,025	-	-	-	7,859	-	-
		1,306,827	**1,200,581**	**1,193,819**	**1,596,663**	**2,067,710**	**2,002,447**	**2,138,140**
Total liabilities		**1,379,056**	**1,235,376**	**1,225,192**	**1,916,322**	**2,195,599**	**2,188,944**	**2,296,434**
Total equity and liabilities		**1,907,719**	**1,592,302**	**1,580,157**	**2,288,415**	**1,847,291**	**1,914,854**	**2,146,266**
Trade receivables turnover period (days)[3]		34	26	32	17	27	31	N/A[9]
Trade payables turnover period (days)[4]		101	73	66	59	64	74	N/A[9]
Inventories turnover period (days)[5]		123	83	88	110	76	68	N/A[9]
Current ratio (times)[6]		0.8	0.8	0.8	1.1	0.6	0.6	0.6
Gearing ratio (times)[7]		1.3	1.7	2.0	2.4	N/A[8]	N/A[8]	N/A[8]

Notes:

(1) *The under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, caused unprecedented disruptions in supply chain and unexpected surge in demand. These have severely impacted on the delivery of products from the Group's vendors which fell short and subsequently affecting the Group's ability to distribute the supplies to the MoH's health facilities. The situation was further exacerbated by the imposition of strict movement control orders, reduced workforce resulting from quarantine and other health protocols, shortage of shipping containers, as well as warehouses functioning below their usual operational capacity. As such, the Group had incurred Prior Year Adjustments for the FYE 2021 and FYE 2022 which resulted in the following changes:*

	As previously reported RM'000	***As restated RM'000***
FYE 2021		
Deferred tax assets	*33,066*	*52,539*
Other receivables	*69,873*	*69,368*
Tax recoverable	*6,713*	*18,297*
Retained earnings	*293,725*	*195,377*
Other payables	*175,885*	*304,785*
Current ratio (times)(6)	*1.1*	*1.0*
Gearing ratio (times)(7)	*1.9*	*2.4*
FYE 2022		
Deferred tax assets	*27,047*	*48,890*
Other receivables	*89,900*	*80,235*
Tax recoverable	*16,343*	*32,695*
Accumulated losses	*(404,274)*	*(525,226)*
Other payables	*147,014*	*296,496*
Current ratio (times)(6)	*0.7*	*0.6*

(2) *The Group had reclassified a borrowing amounting to RM98.0 million as at 31 December 2022 from non-current liabilities – borrowings to current liabilities – borrowings in the Group's statements of financial position as at 31 December 2022. This borrowing has 'cross default' clauses, such that terms of this borrowing are assessed against compliance with covenants of other borrowings. The Group did not comply with certain financial covenants of other borrowings. Consequently, the Group no longer had the unconditional right as at 31 December 2022 to defer settlement of this borrowing for more than 12 months after the reporting period.*

(3) *Computed based on trade receivables as at the end of the respective financial year divided by the revenue for the respective financial year multiplied by 365 days.*

(4) *Computed based on trade payables as at the end of the respective financial year divided by the cost of sales for the respective financial year multiplied by 365 days.*

(5) *Computed based on inventories as at the end of the respective financial year divided by the cost of sales for the respective financial year multiplied by 365 days.*

(6) *Computed based on current assets over current liabilities as at the end of the respective financial year.*

(7) *Computed based on the total borrowings over total equity (exclusive of non-controlling interest) as at the end of the respective financial year.*

(8) *Not applicable due to negative equity position.*

(9) *Trade receivables, trade payables and inventories turnover period are computed on the Group's annual revenue and cost of sales, respectively. As FPE 2024 is only 9 months, the computation of this matrix is not applicable.*

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2.3 Consolidated statements of cash flows

The following is a summary of the consolidated statements of cash flows of the Group for the FYE 2018 to the FYE 2023, as well as FPE 2023 and FPE 2024:

		Audited FYE						Unaudited	
		2018	2019	2020	2021	2022	2023	FPE 2023	FPE 2024
	Section	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/generated from operating activities	5.2.1	(81,834)	189,765	(25,710)	(64,056)	(142,336)	46,951	15,576	(64,510)
Net cash used in investing activities	5.2.2	(76,586)	(72,684)	(32,636)	(45,557)	(72,335)	(67,934)	(30,348)	(31,012)
Net cash generated from/(used in) financing activities	5.2.3	161,862	(125,275)	71,489	120,738	220,794	95,268	(7,786)	29,838
Net increase/(decrease) in cash and cash equivalents		**3,442**	**(8,194)**	**13,143**	**11,125**	**6,123**	**74,285**	**(22,558)**	**(65,684)**
Foreign exchange differences		(509)	318	(231)	125	(386)	307	435	(1,207)
Cash and cash equivalents at the beginning of the financial year		**27,893**	**30,826**	**22,950**	**35,862**	**47,112**	**52,849**	**52,849**	**127,441**
Cash and cash equivalents at the end of the financial year		**30,826**	**22,950**	**35,862**	**47,112**	**52,849**	**127,441**	**30,726**	**60,550**

3. Commentary of historical statements of comprehensive income

3.1 Revenue

A breakdown of the Group's revenue by business segments and geographical locations for the FYE 2018 to the FYE 2023, as well as FPE 2023 and FPE 2024 is as follows:

By business segments

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Logistics and Distribution	1,686,018	70.7	2,012,413	71.3	1,913,133	70.2	2,276,190	47.3	2,484,856	71.4	2,358,762	69.3
Manufacturing	329,175	13.8	289,698	10.3	252,653	9.3	1,865,323	38.7	326,288	9.4	296,486	8.7
Indonesia	694,673	29.1	801,117	28.4	809,777	29.7	893,079	18.5	983,241	28.2	1,040,121	30.5
Elimination[(1)]	(324,910)	(13.6)	(282,698)	(10.0)	(250,492)	(9.3)	(219,577)	(4.6)	(313,450)	(9.0)	(290,888)	(8.5)
Total	**2,384,956**	**100.0**	**2,820,530**	**100.0**	**2,725,071**	**100.0**	**4,815,015**	**100.0**	**3,480,935[(3)]**	**100.0**	**3,404,481[(3)]**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Logistics and Distribution	1,860,945	71.2	1,948,893	68.8
Manufacturing	223,933	8.6	226,555	8.0
Indonesia	748,272	28.6	880,379	31.1
Elimination[(1)]	(218,476)	(8.4)	(222,790)	(7.9)
Total	**2,614,674[(3)]**	**100.0**	**2,833,037[(3)]**	**100.0**

By geographical locations

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	1,673,640	70.2	2,008,859	71.2	1,902,391	69.8	3,913,475	81.3	2,489,257	71.5	2,357,890	69.3
Indonesia	694,673	29.1	801,117	28.4	809,777	29.7	893,079	18.5	983,698	28.3	1,040,121	30.5
Others[2]	16,643	0.7	10,554	0.4	12,903	0.5	8,461	0.2	7,980	0.2	6,470	0.2
Total	**2,384,956**	**100.0**	**2,820,530**	**100.0**	**2,725,071**	**100.0**	**4,815,015**	**100.0**	**3,480,935[3]**	**100.0**	**3,404,481[3]**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Malaysia	1,861,634	71.2	1,945,218	68.6
Indonesia	748,272	28.6	880,379	31.1
Others[2]	4,768	0.2	7,440	0.3
Total	**2,614,674[3]**	**100.0**	**2,833,037[3]**	**100.0**

Notes:

[1] Elimination relates to intercompany revenue for the sale of goods from Manufacturing segment to Logistics and Distribution segment.

[2] Others include Brunei, Vietnam Myanmar, Singapore, Thailand, Laos and Papua New Guinea.

[3] Penalty charges were set off against revenue. Penalty charges consist of late delivery of products to hospitals under the concession and non-concession.

For the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024, the Group's revenue was mainly generated from the Logistics and Distribution segment, contributing more than 60% of the Group's aggregate revenue for each respective FYE 2018 to the FYE 2023, save for the FYE 2021. The Indonesia segment is the Group's second largest business segment whilst the Manufacturing segment is the smallest business segment in terms of revenue contribution, save for the FYE 2021, of which the Manufacturing segment received a one-off substantial order for the manufacture fill and finish Sinovac COVID-19 vaccines. Malaysia and Indonesia are the Group's 2 largest geographical markets, with an aggregate revenue contribution of more than 99.0% of the Group's aggregate revenue for the FYE 2018 to the FYE 2023 and FPE 2024. The elimination for each respective year arose due to inter-segment sales recorded mainly from the Manufacturing segment to the Logistics and Distribution segment which are not charged to the Group's external customers.

Comparison between FYE 2018 and FYE 2019

The Group's revenue increased by RM435.6 million or 18.3% from RM2,385.0 million for the FYE 2018 to RM2,820.5 million for the FYE 2019 mainly due to additional revenue recorded by the Logistics and Distribution segment of RM326.4 million and Indonesia segment of RM106.4 million. The increase in revenue from the Logistics and Distribution segment was due to higher demand from MoH under the APPL which required the Group to increase its Logistics and Distribution services, whilst the increase in revenue from the Indonesia segment was due to higher demand of products from the Group's existing Principals. Nonetheless, the increase was partly offset by the decrease in revenue from the Manufacturing segment of RM39.5 million which was mainly due to a major product recall in the FYE 2019 which affected revenue generation.

Majority of the revenue generated by the Logistics and Distribution segment is from Malaysia and the Indonesia segment comprising manufacturing and distribution activities from Indonesia. The revenue contribution from Malaysia increased by RM335.2 million or 20.0% from RM1,673.7 million for the FYE 2018 to RM2,008.9 million for the FYE 2019 whilst revenue contribution from Indonesia increased by RM106.4 million or 15.3% from RM694.7 million for the FYE 2018 to RM801.1 million for the FYE 2019. The increase in revenue generated from Malaysia and Indonesia were partially offset by the decrease in revenue generated from Myanmar, Brunei and Vietnam.

Comparison between FYE 2019 and FYE 2020

The Group's revenue decreased by RM95.5 million or 3.4% from RM2,820.5 million for the FYE 2019 to RM2,725.1 million for the FYE 2020 mainly due to decreased in revenue recorded by the Logistics and Distribution segment of RM99.3 million and Manufacturing segment of RM37.0 million. The decrease in revenue from the Logistics and Distribution segment and Manufacturing segment was due to the decrease in demand for certain prescription drugs due to lower patient visits to doctors resulting from the movement restriction order to curb the spread of the COVID-19 virus. Nevertheless, the decrease was partly offset by the increase in sales of personal protective equipment in response to the COVID-19 virus. Further, the decrease in the total revenue for the FYE 2020 was partially offset by the increase in revenue generated by the Indonesia segment of RM8.7 million due to sales from 7 newly appointed distributors in Indonesia by the Indonesia Manufacturing segment.

In line with the decrease in revenue from the Logistics and Distribution segment, the revenue generated from Malaysia decreased by RM106.5 million or 5.3% from RM2,008.9 million for the FYE 2019 to RM1,902.4 million for the FYE 2020. The decrease in revenue generated in Malaysia was partially offset by the increase in revenue generated in Indonesia. The revenue generated from the Indonesia segment increased by RM8.7 million or 1.1% from RM801.1 million for the FYE 2019 to RM809.8 million for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

The Group's revenue increased by RM2,089.9 million or 76.7% from RM2,725.1 million for the FYE 2020 to RM4,815.0 million for the FYE 2021 mainly due to additional revenue recorded by the Manufacturing segment of RM1,612.7 million and Logistics and Distribution segment of RM363.1 million. The increase in revenue from the Manufacturing segment was mainly due to the Group securing the contract from MoH to manufacture fill and finish Sinovac COVID-19 vaccines, as well as to supply the imported finished vaccines from Sinovac Life Science Co. Ltd whilst the increase in the Logistics and Distribution business segment was due to the tender awarded to the Group to distribute 6.4 million doses of AstraZeneca COVID-19 vaccines and 1.4 million doses under the COVID-19 Vaccines Global Access (COVAX) facility, as well as the increase in demand from MoH for the Group's APPL products and higher non-concession revenue for the leukaemia treatment products. The increase in revenue was also contributed by the Group's Indonesia segment on the increased demand for its products related to the COVID-19 treatment.

As majority of the revenue generated by the Manufacturing segment and Logistics and Distribution segment is from Malaysia, the Group's revenue contribution from Malaysia increased by RM2,011.1 million or 105.7% from RM1,902.4 million for the FYE 2020 to RM3,913.5 million for the FYE 2021 whilst the revenue contribution from Indonesia increased by RM83.3 million or 10.3% from RM809.8 million for the FYE 2020 to RM893.1 million for the FYE 2021. The increase in revenue generated from Malaysia and Indonesia were partially offset by the decrease in revenue generated by other countries by RM4.4 million due to decrease in revenue generated from Myanmar and Singapore.

Comparison between FYE 2021 and FYE 2022

The Group's revenue decreased by RM1,334.1 million or 27.7% from RM4,815.0 million for the FYE 2021 to RM3,480.9 million for the FYE 2022 mainly due to decreased revenue recorded by the Manufacturing segment of RM1,539.0 million. The decrease in revenue from the Manufacturing segment was due to the one-off substantial order received from MoH for manufacture fill and finish Sinovac COVID-19 vaccine. The decrease in total revenue for the FYE 2022 was partially offset by the increase in revenue generated by the Logistics and Distribution segment and the Indonesia segment of RM208.7 million and RM90.2 million, respectively. The increase in revenue for the Logistics and Distribution segment was due to contribution from the sales of additional products added into the APPL, as well as increased demand for the Group's products from the private sector, whilst the increase in revenue from the Indonesia segment was due to stronger demand from the customers as a result of the resumption of normal business activities subsequent to the decrease in COVID-19 cases in Indonesia.

In line with the decrease in revenue from the Group's Manufacturing segment, revenue generated from Malaysia decreased by RM1,424.2 million or 36.4% from RM3,913.5 million for the FYE 2021 to RM2,489.3 million for the FYE 2022. The decrease in revenue generated from Malaysia was partially offset by the increase in revenue generated in Indonesia. The revenue generated from Indonesia increased by RM90.6 million or 10.1% from RM893.1 million for the FYE 2021 to RM983.7 million for the FYE 2022.

Comparison between FYE 2022 and FYE 2023

The Group's revenue decreased by RM76.5 million or 2.2% from RM3,480.9 million for the FYE 2022 to RM3,404.5 million for the FYE 2023 mainly due to decreased in revenue recorded by the Logistics and Distribution segment of RM126.1 million. The decrease in revenue from the Logistics and Distribution segment was due to the lower budget allocation for the purchase of COVID-19 related items by the Government hospital. The decrease in total revenue for the FYE 2023 was partially offset by the increase in revenue generated by the Indonesia segment of RM56.9 million due to higher demand of products from the Group's existing Principals.

In line with the decrease in revenue from the Group's Logistics and Distribution segment, revenue generated from Malaysia decreased by RM131.4 million or 5.3% from RM2,489.3 million for the FYE 2022 to RM2,357.9 million for the FYE 2023. The decrease in revenue generated from Malaysia was partially offset by the increase in revenue generated in Indonesia. The revenue generated from the Indonesia increased by RM56.4 million or 5.7% from RM983.7 million for the FYE 2022 to RM1,040.1 million for the FYE 2023.

Comparison between FPE 2023 and FPE 2024

The Group's revenue increased by RM218.4 million or 8.4% from RM2,614.7 million for the FPE 2023 to RM2,833.0 million for the FPE 2024 mainly due to the increase in revenue recorded by the Indonesia segment of RM132.1 million and the increase in revenue recorded by the Logistics and Distribution segment of RM87.9 million. The increase in revenue from the Indonesia segment was due to surge in demand for products via the Group's existing principals and additional sales generated from the opening of two additional branches. The increase in the Logistics and Distribution segment was primarily driven by the increase in demand of the products under the Concession, attributable to the addition of new products to the APPL and price adjustments under the new concession cycle due to rising supplier costs, coupled with the Waiver of Penalty.

In line with the increase in revenue from the Group's Indonesia segment, revenue generated from Indonesia increased by RM132.1 million or 17.7% from RM748.3 million for the FPE 2023 to RM880.4 million for the FPE 2024. Revenue generated from Malaysia increased by RM83.6 million or 4.5% from RM1,861.6 million for the FPE 2023 to RM1,945.2 million for the FPE 2024 in line with the increase in revenue generated from the Logistics and Distribution segment as explained above.

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3.2 Cost of sales

The Group's cost of sales is mainly contributed by changes in inventories of finished goods which is the purchase of finished goods, including drugs and non-drugs, and raw materials and consumables used for manufacturing activities. For the FYE 2018 to the FYE 2023, as well as FPE 2023 and FPE 2024, the changes in inventories of finished goods accounted for 83.8%, 79.9%, 89.0%, 66.9%, 74.4%, 87.8%, 90.1% and 91.0% to the total cost of sales for each respective financial year or period and raw materials and consumables accounted for 6.8%, 4.3%, 4.7%, 28.5%, 6.0%, 4.7%, 4.7% and 3.6% of total cost of sales. The costs associated to changes in inventories of finished goods is accounted for under the Logistics and Distribution segment and Indonesia segment and raw materials and consumables are entirely for manufacturing activities.

The breakdown of cost of sales for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 are as follows:

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amortisation of intangible assets	18,713	0.9	247,496	9.1	201	-*	266	-*	747	-*	983	-*
Depreciation of property, plant and equipment	17,000	0.8	17,318	0.6	13,675	0.6	16,109	0.4	14,198	0.4	13,754	0.4
Depreciation of right-of-use assets	-	-	59	-*	66	-*	137	-*	224	-*	576	-*
Employee benefit expenses	47,759	2.3	58,045	2.1	54,375	2.2	56,436	1.4	54,458	1.5	50,672	1.6
Changes in inventories of finished goods	1,729,523	83.8	2,178,871	79.9	2,161,608	89.0	2,800,167	66.9	2,745,121	74.4	2,718,903	87.8
Impairment of slow-moving and obsolete inventories	6,584	0.4	5,639	0.2	6,491	0.3	7,749	0.2	559,453	15.2	76,905	2.5
Inventories write down/(written back)	2,883	0.2	232	-*	(85)	-*	-	-*	-	-	-	-
Raw materials and consumables used	141,078	6.8	117,137	4.3	113,793	4.7	1,193,764	28.5	220,558	6.0	145,689	4.7
Selling and distribution costs	47,992	2.3	50,217	1.8	53,931	2.2	67,354	1.6	67,289	1.8	62,978	2.0
Maintenance of PhIS	-	-	-	-	18,279	0.8	23,900	0.6	20,000	0.5	17,950	0.6
Penalty charges[1]	848	0.1	6,702	0.3	1,230	-*	11,541	0.3	-[2]	-[2]	-[2]	-[2]
Costs to fulfil contracts[3]	45,534	2.2	37,964	1.4	-	-	-	-	-	-	-	-
Others[4]	4,931	0.2	6,869	0.3	6,311	0.2	7,577	0.1	8,475	0.2	8,250	0.3
Total	**2,062,845**	**100.0**	**2,726,549**	**100.0**	**2,429,875**	**100.0**	**4,185,000**	**100.0**	**3,690,523**	**100.0**	**3,096,660**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Amortisation of intangible assets	725	-*	853	-*
Depreciation of property, plant and equipment	10,260	0.4	10,409	0.4
Depreciation of right-of-use assets	168	-*	432	-*
Employee benefit expenses	39,204	1.7	36,539	1.5
Changes in inventories of finished goods	2,083,314	90.1	2,183,282	91.0
Impairment of slow-moving and obsolete inventories	6,517	0.3	13,113	0.6
Inventories write down/(written back)	-	-	-	-
Raw materials and consumables used	107,746	4.7	86,943	3.6
Selling and distribution costs	44,626	1.9	48,179	2.0
Maintenance of PhIS	14,968	0.7	13,205	0.6
Penalty charges[1]	-[2]	-[2]	-[2]	-[2]
Costs to fulfil contracts[3]	-	-	-	-
Others[4]	5,743	0.2	5,739	0.3
Total	**2,313,271**	**100.0**	**2,398,694**	**100.0**

Notes:

* *Negligible.*

(1) *Penalty charges consist of late delivery of products to hospitals under concession and non-concession businesses.*

(2) *There was a prior year adjustment amounted to RM29.7 million pertaining under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH facilities for FYE 2022 as disclosed in the audited financial statements for FYE 2023. Such provision of penalties was set off against revenue.*

(3) *Costs to fulfil contracts consist of costs associated with its contract agreements with its customers to provide services, such as system and equipment design, planning, installation and commissioning contracts. These transaction prices will be allocated to each performance obligation based on the stand-alone selling prices.*

(4) *Others consists of ePerolehan charges.*

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By business segments

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Logistics and Distribution	1,527,785	74.1	2,070,210	75.9	1,733,679	71.4	2,010,770	48.1	2,285,514	61.9	2,188,499	70.7
Manufacturing	219,354	10.6	196,000	7.2	195,351	8.0	1,565,382	37.4	809,063	21.9	241,445	7.8
Indonesia	640,616	31.1	743,037	27.3	751,337	30.9	828,425	19.8	909,396	24.6	957,604	30.9
Elimination	(324,910)	(15.8)	(282,698)	(10.4)	(250,492)	(10.3)	(219,577)	(5.3)	(313,450)	(8.4)	(290,888)	(9.4)
Total	**2,062,845**	**100.0**	**2,726,549**	**100.0**	**2,429,875**	**100.0**	**4,185,000**	**100.0**	**3,690,523**	**100.0**	**3,096,660**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Logistics and Distribution	1,672,498	72.3	1,646,565	68.7
Manufacturing	170,232	7.3	158,981	6.6
Indonesia	689,017	29.8	815,938	34.0
Elimination	(218,476)	(9.4)	(222,790)	(9.3)
Total	**2,313,271**	**100.0**	**2,398,694**	**100.0**

Comparison between FYE 2018 and FYE 2019

The cost of sales increased by RM663.7 million or 32.2% from RM2,062.8 million for the FYE 2018 to RM2,726.5 million for the FYE 2019. The increase was mainly contributed by the following:

(a) changes in inventories of finished goods of RM449.3 million or 26.0% from RM1,729.5 million to RM2,178.9 million, arising from increase in purchase of finished goods to support the Group's business operations which was in line with the increase in the Group's revenue; and

(b) increase in amortisation of intangible assets of RM228.8 million or 1,222.6% from RM18.7 million to RM247.5 million, arising from the impact of the full amortisation of the PhIS due to the uncertainty surrounding the extension of the previous concession for the FYE 2019.

Comparison between FYE 2019 and FYE 2020

The costs of sales decreased by RM296.7 million or 10.9% from RM2,726.5 million for the FYE 2019 to RM2,429.9 million for the FYE 2020, which is in tandem with the decrease in revenue over the same financial years. The decrease was mainly contributed by the following:

(a) decrease in amortisation of intangible assets of RM247.3 million or 99.9% from RM247.5 million to RM0.2 million, as a result of the Group's PhIS which was fully amortised in the FYE 2019;

(b) reduction of costs to fulfil contracts by RM38.0 million or 100.0% to nil, as a result of the completion of the PhIS project in the FYE 2019; and

(c) changes in inventories of finished goods of RM17.3 million or 0.8% from RM2,178.9 million to RM2,161.6 million, as a result of the decrease in demand for the Group's products as impacted by COVID-19.

The decrease was partially offset by the increase in maintenance of PhIS of RM18.3 million for the FYE 2020 from nil for the FYE 2019. The maintenance of the PhIS is a requirement under the interim concession period.

Comparison between FYE 2020 and FYE 2021

The cost of sales increased by RM1,755.1 million or 72.2% from RM2,429.9 million for the FYE 2020 to RM4,185.0 million for the FYE 2021, which is in tandem with the increase in revenue over the same financial years. The increase was mainly contributed by the following:

(a) increase in raw materials and consumables used by RM1,080.0 million or 949.1% from RM113.8 million to RM1,193.8 million, arising from the Group's Manufacturing segment whereby it secured the contract to manufacture fill and finish Sinovac COVID-19 vaccines; and

(b) changes in inventories of finished goods of RM638.6 million or 29.5% from RM2,161.6 million to RM2,800.2 million, arising from increase in purchase of the imported finished goods of Sinovac COVID-19 vaccines.

Comparison between FYE 2021 and FYE 2022

The cost of sales decreased by RM494.5 million or 11.8% from RM4,185.0 million for the FYE 2021 to RM3,690.5 million for the FYE 2022. The decrease was mainly contributed by the following:

(a) decrease in raw materials and consumables used of RM973.2 million or 81.5% from RM1,193.8 million to RM220.6 million, as a result of the decrease in demand and orders received for fill and finish Sinovac COVID-19 vaccines manufactured by the Group; and

(b) changes in inventories of finished goods of RM55.1 million or 2.0% from RM2,800.2 million to RM2,745.1 million, as a result of the decrease in demand and orders received for finished goods of Sinovac COVID-19 vaccines.

The decrease was partially offset by increases in impairment of slow-moving and obsolete inventories of RM551.7 million or 7,119.7% from RM7.7 million to RM559.5 million, arising from impairment of Sinovac COVID-19 vaccine inventories due to the decrease in demand and no firm purchase commitment.

Comparison between FYE 2022 and FYE 2023

The cost of sales decreased by RM593.9 million or 16.1% from RM3,690.5 million for the FYE 2022 to RM3,096.6 million for the FYE 2023. The decrease was mainly contributed by the following:

(a) decrease in impairment of slow-moving and obsolete inventories of RM482.6 million or 86.3% from RM559.5 million to RM76.9 million, arising from impairment of Sinovac COVID-19 vaccine inventories due to the decrease in demand and no firm purchase commitment; and

(b) decrease in raw materials and consumables used of RM74.9 million or 34.0% from RM220.6 million to RM145.7 million, as a result of the decrease in demand and orders received for fill and finish Sinovac COVID-19 vaccines manufactured by the Group.

Comparison between FPE 2023 and FPE 2024

The cost of sales increased by RM85.4 million or 3.7% from RM2,313.3 million for the FPE 2023 to RM2,398.7 million for the FPE 2024 mainly due to the increase in inventory of finished goods by RM100.0 million or 4.8% from RM2,083.3 million to RM2,183.3 million, arising from purchases resulting from the addition of new products to the APPL in the Concession, as well as price revisions under the Concession due to increased supplier costs.

The increase was partially offset by decreases in raw materials and consumables used of RM20.8 million or 19.3% from RM107.7 million to RM86.9 million, arising from lower in-house product sales during the FPE 2024.

3.3 GP/(GL) and GP margin/(GL margin)

The breakdown of the Group's GP/(GL) and GP margin/(GL margin) by business segments for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 are as follows:

GP/(GL)

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Logistics and Distribution	158,233	49.1	(57,797)	(61.5)	179,454	60.8	265,420	42.1	199,342	(95.1)	170,263	55.3
Manufacturing	109,821	34.1	93,698	99.7	57,302	19.4	299,941	47.6	(482,775)	230.3	55,041	17.9
Indonesia	54,057	16.8	58,080	61.8	58,440	19.8	64,654	10.3	73,845	(35.2)	82,517	26.8
Elimination	-	-	-	-	-	-	-	-	-	-	-	-
Total	**322,111**	**100.0**	**93,981**	**100.0**	**295,196**	**100.0**	**630,015**	**100.0**	**(209,588)**	**100.0**	**307,821**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Logistics and Distribution	188,447	62.5	302,328	69.6
Manufacturing	53,701	17.8	67,574	15.6
Indonesia	59,255	19.7	64,441	14.8
Elimination	-	-	-	-
Total	**301,403**	**100.0**	**434,343**	**100.0**

GP margin/(GL margin)

	Audited FYE						Unaudited FPE	
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
GP margin/ (GL margin) (%)	13.5	3.3	10.8	13.1	(6.0)[1]	9.0	11.5	15.3
- Logistics and Distribution	9.4	(2.9)	9.4	11.7	8.0	7.2	10.1	15.5
- Manufacturing	33.4	32.3	22.7	16.1	(148.0)	18.6	24.0	29.8
- Indonesia	7.8	7.3	7.2	7.2	7.5	7.9	7.9	7.3

Note:

(1) *As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in revenue of RM29.7 million which resulted in the revenue to decrease to RM3,480.9 million. Accordingly, the GL of the Group increased to RM209.6 million and the GL margin increased to 6.0%.*

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Comparison between FYE 2018 and FYE 2019

The overall GP decreased by RM228.1 million or 70.8% from RM322.1 million for the FYE 2018 to RM94.0 million for the FYE 2019. The decrease was mainly due to the GL recorded for Logistics and Distribution segment of RM57.8 million for the FYE 2019 as compared to a GP of RM158.2 million for the FYE 2018. This was due to the amortisation of intangible assets by RM228.8 million for the FYE 2019. Correspondingly, the GP margin decreased from 13.5% for the FYE 2018 to 3.3% for the FYE 2019. The decrease was mainly due to the GL margin recorded by the Logistics and Distribution segment of 2.9% for the FYE 2019 as compared to a GP margin of 9.4% recorded for the FYE 2018 due to the similar reason as mentioned above.

Comparison between FYE 2019 and FYE 2020

The Group's overall GP increased by RM201.2 million or 214.1% from RM94.0 million for the FYE 2019 to RM295.2 million for the FYE 2020. The increase was mainly due to the decrease in amortisation of intangible assets by RM247.3 million for the FYE 2020. Correspondingly, the GP margin increased from 3.3% for the FYE 2019 to 10.8% for the FYE 2020. The increase was due to the GP margin recorded by the Logistics and Distribution segment of 9.4% as compared to a GL margin of 2.9% recorded for the FYE 2019. The Logistics and Distribution segment recorded a GP of RM179.5 million for the FYE 2020 as compared to a GL of RM57.8 million for the FYE 2019 mainly due to the decrease in amortisation of intangible assets in FYE 2020.

Comparison between FYE 2020 and FYE 2021

The Group's overall GP increased by RM334.8 million or 113.4% from RM295.2 million for the FYE 2020 to RM630.0 million for the FYE 2021, mainly due to the increase in revenue from the Manufacturing and Logistics and Distribution segments by RM1,975.7 million for the FYE 2021. Correspondingly, the GP margin increased from 10.8% for the FYE 2020 to 13.1% for the FYE 2021 mainly due to higher GP margin recorded from the Logistics and Distribution segment of 11.7% for the FYE 2021 as compared to 9.4% for the FYE 2020.

Comparison between FYE 2021 and FYE 2022

The Group's overall GP decreased by RM839.6 million or 133.3% from RM630.0 million for the FYE 2021 to a GL of RM209.6 million for the FYE 2022. The decrease was mainly due to the GL recorded by the Manufacturing segment of RM482.8 million for the FYE 2022 as compared to a GP of RM299.9 million for the FYE 2021. This was mainly due to the increase in impairment of slow-moving and obsolete inventories by RM551.7 million for the FYE 2022. Correspondingly, the GP margin decreased from 13.1% for the FYE 2021 to a GL margin of 6.0% for the FYE 2022.

Comparison between FYE 2022 and FYE 2023

The Group's overall GP increased by RM517.4 million or 246.9% from a GL of RM209.6 million for the FYE 2022 to a GP of RM307.8 million for the FYE 2023. The increase was mainly due to the increase in GP recorded from the Manufacturing segment by RM537.8 million or 111.4% from a GL of RM482.8 million for the FYE 2022 to a GP of RM55.0 million. This was mainly due to the decrease in impairment of slow-moving and obsolete inventories by RM482.6 million for the FYE 2023. Correspondingly, the GP margin increased from a GL of 6.0% for the FYE 2022 to a GP margin of 9.0% for the FYE 2023.

Comparison between FPE 2023 and FPE 2024

The Group's overall GP increased by RM132.9 million or 44.1% from RM301.4 million for the FPE 2023 to RM434.3 million for the FPE 2024. The increase was mainly due to the increase in GP recorded from the Logistics and Distribution segment by RM113.9 million or 60.4%, in line with the increase in revenue generated from Logistics and Distribution segment over the same period as explained above in Section 3.1 of Appendix II of this Circular. The higher GP was also attributable to increased concession sales to government hospitals, which yield higher GP margin as compared to non-concession sales with lower GP margin. Correspondingly, the GP margin improved from 11.5% for the FPE 2023 to 15.3% for the FPE 2024.

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3.4 Other income

The breakdown of the Group's other income for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 is as follows:

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	92	9.5	53	4.2	-	-	71	4.7	51	1.6	864	32.6
Utilisation of Government grant	341	35.6	341	27.4	341	26.7	340	22.6	331	10.6	261	9.9
Foreign exchange gains	158	16.5	475	38.2	405	31.7	927	61.7	42	1.4	1,127	42.5
Others[(1)]	368	38.4	376	30.2	530	41.6	165	11.0	2,694	86.4	397	15.0
Total	**959**	**100.0**	**1,245**	**100.0**	**1,276**	**100.0**	**1,503**	**100.0**	**3,118**	**100.0**	**2,649**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	853	57.1	9	0.4
Utilisation of Government grant	199	13.3	195	9.4
Foreign exchange gains	146	9.8	151	7.3
Others[(1)]	295	19.8	1,725	82.9
Total	**1,493**	**100.0**	**2,080**	**100.0**

Note:

(1) Others consist of, amongst others, late delivery penalties imposed on suppliers, rental income, tender fee, cash settlement from legal case and sale of scrap items, such as, amongst others, old pallets and wrapping materials.

Comparison between FYE 2018 and FYE 2019

The Group's other income increased by RM0.3 million or 29.8% from RM1.0 million for the FYE 2018 to RM1.2 million for the FYE 2019. The increase was mainly attributable to the increase in foreign exchange gains by RM0.3 million arising from the strengthening of RM against the USD. However, the increase was partially offset by the decrease in gain on disposal of property, plant and equipment by RM0.1 million as a result of disposal of property, plant and equipment in the FYE 2019.

Comparison between FYE 2019 and FYE 2020

The Group's other income increased by RM0.1 million or 2.5% from RM1.2 million for the FYE 2019 to RM1.3 million for the FYE 2020. The increase was mainly attributable to the increase in other income such as tender fee received from the Group's suppliers and higher sales of scrap items by RM0.2 million. However, the increase was partially offset by the decrease in foreign exchange gains by RM0.1 million arising from the weakening of RM against the EUR and USD, as well as the decrease in gain on disposal of property, plant and equipment by RM0.1 million as the Group did not dispose any property, plant and equipment in the FYE 2020.

Comparison between FYE 2020 and FYE 2021

The Group's other income increased by RM0.2 million or 17.8% from RM1.3 million for the FYE 2020 to RM1.5 million for the FYE 2021. The increase was mainly attributable to the increase in foreign exchange gains by RM0.5 million, arising from the strengthening of the RM against the USD. However, the increase was partially offset by the decrease in other income such as lower tender fee received from suppliers and lower sale of scrap items by RM0.4 million.

Comparison between FYE 2021 and FYE 2022

The Group's other income increased by RM1.6 million or 107.5% from RM1.5 million for the FYE 2021 to RM3.1 million for the FYE 2022. The increase was mainly attributable to the increase in other income such as a cash payment received by the Group from the legal case settlement in China by RM2.7 million. However, the increase was partially offset by the decrease in foreign exchange gains by RM0.9 million arising from the weakening of the RM against the EUR and USD.

Comparison between FYE 2022 and FYE 2023

The Group's other income decreased by RM0.5 million or 15.0% from RM3.1 million for the FYE 2022 to RM2.6 million for the FYE 2023. The decrease was mainly attributable to the decrease in other income by RM2.7 million as there was a cash payment received by the Group from the legal case settlement in China in FYE 2022. However, the decrease was partially offset by the increase in foreign exchange gains by RM1.1 million arising from the strengthening of the RM against the EUR and USD.

Comparison between FPE 2023 and FPE 2024

The Group's other income increased by RM0.6 million or 39.3% from RM1.5 million for the FPE 2023 to RM2.1 million for the FPE 2024. The increase was mainly due to other income arising from the late delivery penalties imposed on suppliers.

3.5 Administrative expenses

The breakdown of the Group's administrative expenses for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 is as follows:

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff remuneration	101,311	46.5	119,367	48.1	109,921	48.3	153,073	47.4	135,880	43.2	132,887	40.5
Other staff welfare	10,821	5.0	12,389	5.0	9,510	4.2	14,604	4.5	14,372	4.6	15,571	4.7
Travelling and accommodation	6,398	2.9	6,677	2.7	3,117	1.3	3,103	1.0	8,155	2.5	4,813	1.5
Maintenance and upkeep expenses	10,506	4.8	14,208	5.7	12,398	5.5	15,737	4.9	19,749	6.3	16,085	4.9
Office expenses	22,314	10.3	23,729	9.6	20,254	8.9	19,006	5.9	24,221	7.7	25,947	7.9
Marketing and promotion expenses	15,587	7.2	17,354	7.0	11,056	4.9	26,457	8.2	31,528	10.0	21,345	6.5
Professional fees	10,015	4.6	7,731	3.1	7,519	3.3	6,458	2.0	9,179	2.9	16,211	4.9
Rental	11,841	5.4	10,187	4.1	9,594	4.2	11,417	3.5	14,537	4.6	11,685	3.6
Allowance and adjustment	5,455	2.5	6,744	2.7	15,264	6.7	33,596	10.4	19,475	6.2	26,251	8.0
Depreciation and amortisation	12,349	5.7	18,719	7.5	18,419	8.1	16,993	5.3	21,267	6.8	26,381	8.0
Other general expenses	11,080	5.1	11,120	4.5	10,558	4.6	22,198	6.9	16,353	5.2	31,091	9.5
Total	**217,677**	**100.0**	**248,225**	**100.0**	**227,610**	**100.0**	**322,642**	**100.0**	**314,716**	**100.0**	**328,267**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Staff remuneration	104,638	35.0	100,037	49.1
Other staff welfare	9,694	3.2	7,382	3.6
Travelling and accommodation	3,723	1.2	3,536	1.7
Maintenance and upkeep expenses	11,891	4.0	11,660	5.7
Office expenses	20,396	6.8	17,233	8.5
Marketing and promotion expenses	16,204	5.4	16,850	8.3
Professional fees	10,397	3.5	8,238	4.1
Rental	9,363	3.1	8,629	4.2
Allowance and adjustment	85,275	28.5	(1,116)	(0.5)
Depreciation and amortisation	18,211	6.1	19,430	9.5
Other general expenses	9,425	3.2	11,703	5.8
Total	**299,217**	**100.0**	**203,582**	**100.0**

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Comparison between FYE 2018 and FYE 2019

The Group's administrative expenses increased by RM30.5 million or 14.0% from RM217.7 million for the FYE 2018 to RM248.2 million for the FYE 2019. The increase was mainly attributable to the following:

(a) increase in staff remuneration of RM18.1 million or 17.8% from RM101.3 million to RM119.4 million, as a result of additional headcount, from 3,554 employees in 2018 to 3,607 employees in 2019;

(b) increase in depreciation and amortisation expenses of RM6.4 million or 51.6% from RM12.4 million to RM18.7 million, as a result of additional machinery purchased for Manufacturing segment and additional amortisation of right-of-use assets upon adoption of Malaysian Financial Reporting Standards ("**MFRS**") 16 Leases; and

(c) increase in maintenance and upkeep expenses of RM3.7 million or 35.2% from RM10.5 million to RM14.2 million, as a result of higher maintenance cost of warehouse equipment and lab equipment due to wear and tear.

Comparison between FYE 2019 and FYE 2020

The Group's administrative expenses decreased by RM20.6 million or 8.3% from RM248.2 million for the FYE 2019 to RM227.6 million for the FYE 2020. The decrease was mainly attributable to the following:

(a) decrease in staff remuneration of RM9.4 million or 7.9% from RM119.4 million to RM109.9 million, due to lower bonus payout to employees for FYE 2020;

(b) decrease in marketing and promotion expenses of RM6.3 million or 36.3% from RM17.4 million to RM11.1 million, due to deferment of marketing and promotion activities as a result of the implementation of the Movement Control Order ("**MCO**") in response to the COVID-19 pandemic; and

(c) decrease in travelling and accommodation expenses of RM3.6 million or 53.3% from RM6.7 million to RM3.1 million, due to deferment of travelling activities as a result of the implementation of the MCO in response to the COVID-19 pandemic.

The decrease was partially offset by the increase in allowance and adjustment of RM8.5 million or 126.3% from RM6.7 million to RM15.3 million, mainly arising from the following:

(a) provision for obsolete inventory of RM4.3 million;

(b) provision for doubtful debts of RM2.5 million; and

(c) reduction in net realisable value of the Group's face mask inventory of RM0.8 million.

Comparison between FYE 2020 and FYE 2021

The Group's administrative expenses increased by RM95.0 million or 41.8% from RM227.6 million for the FYE 2020 to RM322.6 million for the FYE 2021. The increase was mainly attributable to the following:

(a) increase in staff remuneration of RM43.2 million or 39.3% from RM109.9 million to RM153.1 million, as a result of higher bonus payout in the FYE 2021 and additional headcount, from 3,603 employees in the FYE 2020 to 3,642 employees in the FYE 2021;

(b) increase in allowance and adjustment expenses of RM18.3 million or 120.1% from RM15.3 million to RM33.6 million, as a result of the following:

  (i) write-off of new product development cost of RM5.0 million;

  (ii) provision for slow-moving inventory of personal protective equipment of RM5.0 million;

  (iii) provision for expired and short expiry stocks of PT Errita of RM3.5 million;

  (iv) provision for goodwill impairment of RM2.7 million; and

  (v) impairment of intellectual property of RM2.1 million;

(c) increase in marketing and promotion expenses of RM15.4 million or 139.3% from RM11.1 million to RM26.5 million, as a result of aggressive advertising efforts to boost the private sector sales;

(d) increase in other general expenses such as donations, sponsorship, meeting expenses and processing fees of new banking facilities of RM11.6 million or 110.2% from RM10.6 million to RM22.2 million, as a result of higher utilisation of the banking facilities for the following:

  (i) increase in donations and sponsorship which are part of the Group's Corporate Social Responsibility initiatives; and

  (ii) purchase of COVID-19 vaccines fill and finish goods and finished products; and

(e) other staff welfare of RM5.1 million or 53.6% from RM9.5 million to RM14.6 million, as a result of higher trainings costs, vaccination and vaccine booster costs for employees and their families.

Comparison between FYE 2021 and FYE 2022

The Group's administrative expenses decreased by RM7.9 million or 2.5% from RM322.6 million for the FYE 2021 to RM314.7 million for the FYE 2022. The decrease was mainly attributable to the decrease in staff remuneration of RM17.2 million or 11.2% from RM153.1 million to RM135.9 million, due to lower bonus payout to employees and the decrease in allowance and adjustment of RM14.1 million of 42.0% from RM33.6 million to RM19.5 million. Higher allowance and adjustment in previous year was mainly due to:

(a) provision for slow-moving inventory of personal protective equipment of RM5.0 million;

(b) provision for expired and short expiry inventory of PT Errita's stocks RM3.7 million;

(c) provision for impairment of goodwill of RM2.8 million; and

(d) provision for impairment of intellectual property of RM2.1 million.

The decrease was partially offset by the increases in the following administrative expenses:

(a) office expenses of RM5.2 million or 27.4% from RM19.0 million to RM24.2 million, as a result of higher insurance costs, telephone cost, electricity cost, as well as printing and stationary costs due to the resumption of normal business activities in office;

(b) marketing and promotion expenses of RM5.1 million or 19.2% from RM26.5 million to RM31.5 million, as a result of the resumption of marketing and promotion activities pursuant to the upliftment of the MCO;

(c) travelling and accommodation expenses of RM5.1 million or 162.8% from RM3.1 million to RM8.2 million, as a result of higher travelling activities, locally and internationally, for marketing activities pursuant to the upliftment of the MCO;

(d) depreciation and amortisation expenses of RM4.3 million or 25.2% from RM17.0 million to RM21.3 million, due to higher amortisation of right-of-use assets as a result of additional warehouse lease to cope with the higher demand from customers; and

(e) maintenance and upkeep expense of RM4.0 million or 25.5% from RM15.7 million to RM19.8 million, as a result of higher maintenance costs incurred for computers, warehouse equipment, company vehicles and the Group's office premises.

Comparison between FYE 2022 and FYE 2023

The Group's administrative expenses increase by RM13.6 million or 4.3% from RM314.7 million for the FYE 2022 to RM328.3 million for the FYE 2023. The increase was mainly attributable to the following:

a) other general expenses of RM14.7 million or 90.1% from RM16.4 million to RM31.1 million as a result of the penalty imposed by a customer due to non-compliance with a certain contract of RM15.3 million; and

(b) professional fees of RM7.0 million or 76.6% from RM9.2 million to RM16.2 million as a result of the professional fees incurred in relation to the Proposed Regularisation Plan and bridging loan;

The increase was partially offset by the decreases in the following administrative expenses:

(a) decrease in marketing and promotion expenses of RM10.2 million or 32.3% from RM31.5 million to RM21.3 million, due to lower advertising efforts upon cessation of the consumer healthcare business;

(b) decrease in maintenance and upkeep expenses of RM3.7 million of 18.6% from 19.7 million to RM16.1 million due to lower maintenance costs incurred for computers, warehouse equipment, company vehicles and the Group's office premises; and

(c) decrease in travelling and accommodation expenses of RM3.3 million of 41.0% from RM8.2 million to RM4.8 million, due to lesser travelling upon PN17 status.

Comparison between FPE 2023 and FPE 2024

The Group's administrative expenses decreased by RM95.6 million or 32.0% from RM299.2 million for the FPE 2023 to RM203.6 million for the FPE 2024. The decrease was mainly attributable to the following:

(a) decrease in allowance and adjustment of RM86.4 million or 101.3% from RM85.3 million to a reversal of RM1.1 million, due to the one-off impairment and provisions recorded in FPE 2023. The reversal in FPE 2024 is mainly related to the reversal of impairment on product development costs as the tender from the Government has been successfully obtained;

(b) decrease in staff remuneration of RM4.6 million or 4.4% from RM104.6 million to RM100.0 million, as a result of the decrease in headcount from 3,586 employees in FPE 2023 to 3,435 employees in FPE 2024; and

(c) decrease in office expenses of RM3.2 million or 15.5% from RM20.4 million to RM17.2 million, due to lower insurance costs, as well as printing and stationery costs.

3.6 Impairment of intangible assets

Save for the FYE 2021 and FYE 2022, the Group did not record any significant impairment of intangible assets as disclosed below:

Audited FYE					Unaudited FPE	
2018	2019	2020	2021	2022	2023	2024
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	4,844[(1)]	50,274	-	-

The Group recorded impairment of intangible assets for the FYE 2022 due to write-down of goodwill from the Indonesia manufacturing machinery as a result of the long gestation and uncertain business environment of the manufacturing operations in Indonesia.

Note:

(1) The RM4.8 million impairment of intangible assets in FYE 2021 was included in the administrative expenses.

3.7 Finance costs

The breakdown of the Group's finance costs for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 are as follows:

	Audited FYE											
	2018		2019		2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bankers' acceptances	21,601	59.9	29,528	73.4	23,170	68.7	23,545	70.7	28,836	72.0	44,444	71.9
Revolving credits	14,471	40.1	10,317	25.6	10,303	30.6	9,601	28.8	10,878	27.2	17,061	27.6
Interest and finance charges for lease liabilities	-	-	413	1.0	134	0.4	104	0.3	240	0.6	235	0.4
Hire purchase	-	-	-	-	95	0.3	74	0.2	84	0.2	103	0.1
Bridging loan	-	-	-	-	-	-	-	-	-	-	-	-
Total	**36,072**	**100.0**	**40,258**	**100.0**	**33,702**	**100.0**	**33,324**	**100.0**	**40,038**	**100.0**	**61,843**	**100.0**

	Unaudited FPE			
	2023		2024	
	RM'000	%	RM'000	%
Bankers' acceptances	31,839	69.9	32,083	59.6
Revolving credits	13,509	29.6	14,952	27.8
Interest and finance charges for lease liabilities	193	0.4	93	0.1
Hire purchase	29	0.1	28	0.1
Bridging loan	-	-	4,164	7.7
Interest on shareholder's advance	-	-	2,516	4.7
Total	**45,570**	**100.0**	**53,836**	**100.0**

Comparison between FYE 2018 and FYE 2019

The Group's finance costs increased by RM4.2 million or 11.6% from RM36.1 million for the FYE 2018 to RM40.3 million for the FYE 2019. The increase was mainly attributable to the increase in the bankers' acceptance interest by RM7.9 million due to additional borrowings in the form of bankers' acceptances undertaken to finance the Group's working capital for its day-to-day operations. However, the increase was partially offset by the decrease in revolving credits interest by RM4.2 million due to repayment of the borrowings.

Comparison between FYE 2019 and FYE 2020

The Group's finance costs decreased by RM6.6 million or 16.3% from RM40.3 million for the FYE 2019 to RM33.7 million for the FYE 2020. The decrease was mainly attributable to the reduction of Overnight Policy Rate ("**OPR**") by Bank Negara Malaysia by 1.3% in FYE 2020.

Comparison between FYE 2020 and FYE 2021

The Group's finance costs decreased by RM0.4 million or 1.1% from RM33.7 million for the FYE 2020 to RM33.3 million for the FYE 2021. The decrease was minimal as there was no change in the OPR by Bank Negara Malaysia in the FYE 2021 as compared to the FYE 2020.

Comparison between FYE 2021 and FYE 2022

The Group's finance costs increased by RM6.7 million or 20.1% from RM33.3 million for the FYE 2021 to RM40.0 million for the FYE 2022. The increase was mainly attributable to the increase in the following:

(a) bankers' acceptances interest by RM5.3 million due to additional borrowings undertaken to finance the Group's workings capital for its day-to-day operations; and

(b) revolving credits interest by RM1.3 million due to additional borrowings undertaken to finance the Group's working capital for its day-to-day operations.

In addition, the increase in the Group's finance costs was attributable to higher interest rates during the financial year as a result of the increase in OPR by Bank Negara Malaysia by 1.0% in the FYE 2022.

Comparison between FYE 2022 and FYE 2023

The Group's finance costs increased by RM21.8 million or 54.5% from RM40.0 million for the FYE 2022 to RM61.8 million for the FYE 2023. The increase was mainly attributable to the following:

(a) bankers' acceptances interest by RM15.6 million due to additional borrowings undertaken to finance the Group's workings capital for its day-to-day operations; and

(b) revolving credits interest by RM6.2 million due to additional borrowings undertaken to finance the Group's working capital for its day-to-day operations.

In addition, the increase in the Group's finance costs was attributable to higher interest rates during the financial year as a result of the increase in OPR by Bank Negara Malaysia by 1.00% in FYE 2022 and 0.25% in the FYE 2023.

Comparison between FPE 2023 and FPE 2024

The Group's finance costs increased by RM8.3 million or 18.1% from RM45.6 million for the FPE 2023 to RM53.8 million for the FPE 2024. The increase was mainly attributable to the following:

(a) bridging loan interest by RM4.2 million due to additional borrowings undertaken to finance the Group's workings capital for its day-to-day operations;

(b) interest on shareholder's advance by RM2.5 million due to shareholder's advance undertaken to finance the Group's workings capital for its day-to-day operations;

(c) revolving credits interest by RM1.4 million due to additional borrowings undertaken to finance the Group's working capital for its day-to-day operations; and

(d) bankers' acceptances interest by RM0.2 million due to additional borrowings undertaken to finance the Group's workings capital for its day-to-day operations.

3.8 Interest income

The interest income of the Group for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 are solely generated from placement of repurchase agreement which are as follows:

Audited FYE					
2018	2019	2020	2021	2022	2023
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
899	1,392	633	1,523	910	1,477

Unaudited FPE	
2023	2024
RM'000	RM'000
1,167	1,858

Based on the above, the increase and decrease in the Group's interest income is in line with the movement of amount placed in short term fixed deposits.

3.9 Zakat and taxation

The Group recognises payments of zakat on its profit or loss. Zakat rates enacted or substantively enacted by the reporting date are used to determine the zakat expense. The rate of zakat on business as determined by National Fatwa Council is 2.5% of the zakat base. The zakat base of the Group is determined based on the net adjusted amount of zakat assets and liabilities of eligible companies within the Group. Zakat on business is calculated by multiplying zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

The deferred taxation of the Group is recognised for the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities in the financial statements and the Group's respective tax bases at balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences and accumulated business losses to the extent that is probable that future taxable income will be available against which the deductible temporary differences and accumulated business losses can be utilised.

The Group's Malaysian operations are subject to statutory tax rate of 24.0% whilst the Indonesia operations of the Company are subject to statutory tax rate of 25.0% for the FYE 2018 to the FYE 2020 and the statutory tax rate of 22.0% for the FYE 2021 to FYE 2023, FPE 2023 and FPE 2024.

The analysis of the zakat and taxation of the Group for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024 is as follows:

	Audited FYE						Unaudited FPE	
	2018	2019	2020	2021	2022	2023	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Zakat	1,071	2,240	2,522	24,073	209	-	-	-
Tax expense/(income)	25,919	(44,658)	7,002	80,797	16,857	581	3,233	49,519
- Malaysia	12,649	5,635	10,755	55,271	4,936	13,952	8,206	34,017
- Indonesia	1,974	1,271	930	806	1,341	4,954	3,668	2,467
- Under/(over) provision in prior years	5,570	(1,358)	(357)	1,316	8,682	5,102	4,448	2,391
- Deferred taxation	5,726	(50,206)	(4,326)	23,404	1,898	(23,427)	(13,089)	10,644
Total	**26,990**	**(42,418)**	**9,524**	**104,870**	**17,066[1]**	**581**	**3,233**	**49,519**
Effective tax rate (%)[2]	36.9	[3]N/A	19.6	29.2	[3]N/A	[3]N/A	[3]N/A	27.4
- Malaysia	34.2	[3]N/A	14.0	28.7	[3]N/A	[3]N/A	[3]N/A	27.5
- Indonesia	66.5	[3]N/A	[3]N/A	[3]N/A	[3]N/A	71.0	71.3	23.9
Statutory tax rate (%)								
- Malaysia	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
- Indonesia	25.0	25.0	25.0	22.0	22.0	22.0	22.0	22.0

Notes:

(1) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment of RM7.1 million which resulted in the taxation decrease to RM16.9 million.

(2) Effective tax rate is calculated based on taxation recorded by the Group divided by PBT/LBT.

(3) Not applicable due to LBT.

FYE 2018

The Group's effective tax rate of 36.9% mainly due to the loss-making position of certain subsidiaries and non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

The effective tax rate from Malaysia operations of 34.2% was higher than the statutory tax rate of 24.0% mainly due to the reasons as explained above. The effective tax rate from Indonesia operations of 66.5% was higher than the statutory tax rate of 25.0% mainly due to the losses recorded by PEP and non-deductible expenses.

FYE 2019

The Group recorded tax income of RM44.7 million due to deferred taxation of RM50.2 million as a result of the derecognition of deferred tax liabilities upon the revision in the useful life of the PhIS and over provision in prior year of RM1.4 million as a result of the voluntary Ranitidine product recall. The tax income was partially offset by the tax expenses recorded from the Group's Malaysia and Indonesia operations due to certain profit-making subsidiaries and non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

The Group's Malaysia operations recorded tax income of RM46.2 million due to the reasons as explained above. The Group's Indonesia operations recorded tax expense of RM1.6 million mainly due to non-deductible expenses as explained above.

FYE 2020

The Group's effective tax rate of 19.6% was lower than the statutory tax rate mainly due to over provision of deferred tax liabilities in prior year of RM4.3 million.

The effective tax rate from Malaysia operations of 14.0% was lower than the statutory tax rate of 24.0% mainly due to the reason as explained above. The Group's Indonesia operations recorded tax expense of RM1.0 million mainly due to the losses recorded by PEP and non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

FYE 2021

The Group's effective tax rate of 29.2% was higher than the statutory tax rate mainly due to the loss-making position of certain subsidiaries and non-deductible expenses such as, amongst others, marketing and promotional expenses, documentation and stamping fees, as well as depreciation of property, plant and equipment.

The effective tax rate from Malaysia operations of 28.7% was higher than the statutory tax rate of 24.0% due to the reasons as explained above. The Group's Indonesia operations recorded a tax expense of RM1.2 million mainly due to the losses recorded by PEP and non-deductible expenses as explained above.

FYE 2022

Notwithstanding that the Group was in a loss-making position, the Group incurred tax expense of RM16.9 million mainly due to the non-recognition of deferred tax assets on the provision of slow-moving inventories of Sinovac COVID-19 vaccines and the impairment of intangible assets due to the write-down of goodwill from Indonesia manufacturing machinery as a result of the long gestation and uncertain business environment of the manufacturing operations in Indonesia.

The Group's Malaysia operations recorded tax expense of RM4.9 million due to the deferred tax assets as explained above. The Group's Indonesia operations recorded tax expense of RM1.3 million due to the impairment of intangible assets as explained above.

FYE 2023

Notwithstanding that the Group was in a loss-making position, the Group incurred tax expense of RM0.6 million mainly due to the derecognition of deferred tax assets due to the cessation of non-core and non-performing businesses.

The Group's Malaysia operations (manufacturing segment) recorded tax expense of RM4.6 million despite loss position as the losses incurred were mainly due to the non-deductible expenses, i.e. write down of product development cost and write-off of property, plant and equipment. The Group's Indonesia operations recorded tax expense of RM5.2 million due to non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

FPE 2023

Notwithstanding that the Group was in a loss-making position, the Group incurred tax expense of RM3.2 million mainly due to the derecognition of deferred tax assets due to the cessation of non-core and non-performing businesses.

The Group's Malaysia operations (manufacturing segment) recorded tax expense of RM1.3 million despite loss position as the losses incurred were mainly due to the non-deductible expenses, i.e. write down of product development cost and write-off of property, plant and equipment. The Group's Indonesia operations recorded tax expense of RM5.2 million due to non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

FPE 2024

The Group's effective tax rate of 27.4% was higher than the statutory tax rate mainly due to the loss-making position of certain subsidiaries and non-deductible expenses such as, amongst others, professional fees, entertainment expenses and certain advertisement and promotional expenses.

The effective tax rate from Malaysia operations of 27.5% was higher than the statutory tax rate of 24.0% due to the reasons as explained above. The Group's Indonesia operations recorded a tax expense of 23.9% mainly due to non-deductible expenses as explained above.

3.10 PBT/(LBT), PBT/(LBT) margin, PAT/(LAT) and PAT/(LAT) margin

The following table sets out the PBT/(LBT), PBT/(LBT) margin, PAT/(LAT) and PAT/(LAT) margin for the FYE 2018 to the FYE 2023, FPE 2023 and FPE 2024:

	Audited FYE						Unaudited FPE	
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
PBT/(LBT) (RM'000)	70,220	(191,865)	35,793	277,075	(610,588)[1]	(78,163)	(40,724)	180,863
PBT/(LBT) margin (%)	2.9	(6.8)	1.3	5.8	(17.5)[1]	(2.3)	(1.6)	6.4
PAT/(LAT) (RM'000)	43,230	(149,447)	26,269	172,205	(627,654)[2]	(78,744)	(43,957)	131,344
PAT/(LAT) margin (%)	1.8	(5.3)	1.0	3.6	(18.0)[2]	(2.3)	(1.7)	4.6

***Notes*:**

(1) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in revenue of RM29.7 million which resulted in the revenue to decrease to RM3,480.9 million. Accordingly, the LBT of the Group increased to RM610.6 million and the LBT margin increased to 17.5%.

(2) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in revenue of RM29.7 million which resulted in the revenue to decrease to RM3,480.9 million. Accordingly, the taxation of the Group decreased by RM7.1 million, the LAT of the Group increased to RM627.7 million and the LAT margin increased to 18.0%.

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Comparison between FYE 2018 and FYE 2019

The Group recorded a decrease in PBT of RM262.1 million or 373.2% from RM70.2 million for the FYE 2018 to LBT of RM191.9 million for the FYE 2019, and a LBT margin of 6.8% for the FYE 2019 as compared to a PBT margin of 2.9% for the FYE 2018. Correspondingly, the Group recorded a decrease in PAT and PAT margin from RM43.2 million and 1.8% respectively, for the FYE 2018 to a LAT and LAT margin of RM149.5 million and 5.3% respectively, for the FYE 2019 mainly due to accelerated depreciation of PhIS system in FYE 2019.

Comparison between FYE 2019 and FYE 2020

The Group recorded an increase in PBT of RM227.7 million or 118.7% from a LBT of RM191.9 million for the FYE 2019 to PBT of RM35.8 million for the FYE 2020, and a PBT margin of 1.3% for the FYE 2020 as compared to a LBT margin of 6.8% for the FYE 2019. Correspondingly, the Group recorded an increase in PAT and PAT margin from a LAT and LAT margin of RM149.5 million and 5.3% respectively, for the FYE 2019 to a PAT and PAT margin of RM26.3 million and 1.0% respectively, for the FYE 2020. There was a huge amount of amortisation of rights to supply in the FYE 2019, however, there was none for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

The Group recorded an increase in PBT of RM241.3 million or 674.1% from RM35.8 million for the FYE 2020 to RM277.1 million for the FYE 2021, and a PBT margin of 5.8% for the FYE 2021 as compared to a PBT margin of 1.3% for the FYE 2020. Correspondingly, the Group recorded an increase in PAT and PAT margin from RM26.3 million and 1.0% respectively, for the FYE 2020 to a PAT and PAT margin of RM172.2 million and 3.6% respectively, for the FYE 2021. The increase in PBT and PAT were due to the sale of fill and finish and finished goods of Sinovac COVID-19 vaccines to the Government and private sector.

Comparison between FYE 2021 and FYE 2022

The Group recorded a decrease in PBT of RM887.7 million or 320.4% from RM277.1 million for the FYE 2021 to LBT of RM610.6 million for the FYE 2022, and a LBT margin of 17.5% for the FYE 2022 as compared to a PBT margin of 5.8% for the FYE 2021. Correspondingly, the Group recorded a decrease in PAT and PAT margin from RM172.2 million and 3.6% respectively, for the FYE 2021 to a LAT and LAT margin of RM627.7 million and 18.0%, respectively.

The decrease in PBT, PBT margin, PAT and PAT margin were mainly attributable to the decreased in revenue and GP recorded for the FYE 2022, as well as due to the provision of impairment on COVID-19 vaccines and the goodwill impairment on the Indonesian manufacturing plant.

Comparison between FYE 2022 and FYE 2023

The Group recorded a decrease in LBT of RM532.4 million or 87.2% from RM610.6 million for the FYE 2022 to RM78.2 million for the FYE 2023, and a LBT margin of 2.3% for the FYE 2023 as compared to a LBT margin of 17.5% for the FYE 2022. Correspondingly, the Group recorded a decrease in LAT and LAT margin from RM548.9 million or 87.5% from RM627.7 million respectively, for the FYE 2022 to a LAT and LAT margin of RM78.7 million and 2.3%, respectively.

The decrease in LBT, LBT margin, LAT and LAT margin were mainly attributable to the decreased in cost of sales and increase in GP recorded for the FYE 2023. There was an impairment of slow-moving and obsolete inventories arising from impairment of Sinovac COVID-19 vaccine inventories due to the decrease in demand and no firm purchase commitment in FYE 2022.

Comparison between FPE 2023 and FPE 2024

The Group recorded an increase in PBT of RM221.6 million or 544.1% from an LBT of RM40.7 million for the FPE 2023 to a PBT of RM180.9 million for the FPE 2024, and an LBT margin of 1.6% for the FPE 2023 as compared to a PBT margin of 6.4% for the FPE 2024. Correspondingly, the Group recorded an increase in PAT and PAT margin of RM175.3 million or 398.8% from an LBT of RM44.0 million and an LBT margin of 1.7% for the FPE 2023 to a PAT and PAT margin of RM131.3 million and 4.6%, respectively.

The increase in PBT, PBT margin, PAT and PAT margin were mainly attributable to the higher revenue and GP recorded for the FPE 2024, as well as the decrease in administrative expenses as explained above.

4. Commentary of historical statements of financial position

4.1 Non-current assets

	Note	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
PPE	a	406,407	382,268	365,529	364,617	404,188	515,319	516,857
Right-of-use assets	b	-	27,842	32,942	30,973	38,846	90,429	86,790
Prepaid lease payments	c	2,098	-	-	-	-	-	-
Intangible assets	d	400,892	200,342	205,037	208,013	160,561	149,558	150,074
Deferred tax assets	e	39,796	48,139	50,405	52,539(1)	48,890(3)	52,082	51,644
Total non-current assets		**849,193**	**658,591**	**653,913**	**656,142(2)**	**652,485(4)**	**807,388**	**805,365**

***Notes*:**

(1) As a result of the prior year adjustment, deferred tax assets increased to RM52.5 million.

(2) As a result of the prior year adjustment, deferred tax assets increased to RM52.5 million. Accordingly, the Group's total non-current assets increased to RM656.1 million.

(3) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in deferred tax assets of RM21.8 million which resulted in the deferred tax assets to increase to RM48.9 million.

(4) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in deferred tax assets of RM21.8 million. Accordingly, the Group's total non-current assets increased to RM652.5 million.

(a) **PPE**

The Group's PPE for the FYE 2018 to the FYE 2023 and FPE 2024 relates to land and buildings, furniture, fittings, renovation and equipment, motor vehicles, plant and machinery and capital work-in-progress.

(b) **Right-of-use assets**

Upon adoption of MFRS 16 Leases in FYE 2019, the lessees are required to recognise their leased assets and the related lease obligations in the statements of financial position.

Leases are recognised as right-of-use assets and a corresponding liability is recognised as lease liabilities at the commencement date of which the leased assets are available for use by the Group. The leased assets of the Group consist of leased land and buildings.

(c) **Prepaid lease payments**

The Group's prepaid lease payments arise from the payment for rights to use land over a predetermined period. Subsequent to the adoption of MFRS 16 Leases in FYE 2019, the amount was reclassified as right-of-use assets.

(d) **Intangible assets**

The Group's intangible assets consist of goodwill, software, capitalised development cost of work-in-progress, rights to sell, capitalised development cost, manufacturing licences, trade name and intellectual property.

(e) **Deferred tax assets**

The Group's deferred tax assets arise from PPE, provisions and unutilised tax losses which the deductible temporary differences can be utilised to net off the Group's deferred tax liabilities in the future.

Deferred tax assets 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.

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4.2 Current assets

		Audited FYE						Unaudited
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
Inventories	a	693,020	617,909	586,713	1,264,369	767,263	580,643	620,345
Amounts due from related companies	b	-	-	35	31	13	9	-
Trade receivables	c	222,779	204,100	237,411	227,849	261,751	285,220	519,279
Other receivables	d	89,137	63,032	50,486	69,368[1]	80,235[4]	83,958	117,764
Amount due from immediate holding company	e	9	14	7	-	-	-	-
Tax recoverable		17,926	19,069	10,896	18,297[2]	32,695[5]	30,195	17,085
Deposits, cash and bank balances		35,655	29,587	40,696	52,359	52,849	127,441	66,428
Total current assets		**1,058,526**	**933,711**	**926,244**	**1,632,273[3]**	**1,194,806[6]**	**1,107,466**	**1,340,901**

***Notes*:**

(1) As a result of the prior year adjustment, other receivables decreased to RM69.4 million.

(2) As a result of the prior year adjustment, tax recoverable increased to RM18.3 million.

(3) As a result of the prior year adjustment, other receivables decreased to RM69.4 million and tax recoverable increased to RM18.3 million. Accordingly, the Group's total current assets increased to RM1,632.3 million.

(4) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in other receivables of RM9.7 million which resulted in the other receivables to decrease to RM80.2 million.

(5) As a result of the prior year adjustment, tax recoverable increased to RM32.7 million.

(6) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment resulting in a decrease in other receivables of RM9.7 million and an increase of RM16.4 million for tax recoverable. Accordingly, the Group's total current assets increased to RM1,194.8 million.

(a) **Inventories**

The Group's inventories consist of finished goods of pharmaceutical products, inventories work-in-progress and raw materials, and excludes COVID-19 vaccines which were fully impaired in FYE 2022.

As for in-house manufactured finished goods and work-in-progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

The provision for slow-moving inventories in FYE 2023 was mainly due to pandemic-related consumables. During the peak of the pandemic, where the Group acted as a government business partner and as a national security asset to maintain the stockpile for the nation, the Group took the liberty to purchase these consumables for the government during the emergency period. Moving forward, the Group acknowledge and enforced that, even during the emergency period, it was essential to tighten its negotiations and documentation prior to executing these purchases. The Group will only make stock purchases after securing confirmed customer orders and ensuring inventory levels align with demand. In addition, the Group will work on strengthening its negotiation skills with customers to secure more favourable terms and reduce financial risk.

The potential provisions for slow-moving inventories are expected to be in the range of RM3 million to RM4 million annually based on the Group's historical trend, as these are considered part of the ordinary course of business operations.

(b) **Amount due from related companies**

The Group's amount due from related companies is non-trade in nature, unsecured, interest free and are repayable on demand. The amount due were utilised for sale of products.

(c) **Trade receivables**

	Audited FYE						Unaudited
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
External parties	244,199	217,935	253,286	241,359	272,172	295,578	533,914
Less:							
Accumulated impairment losses							
At the beginning of the financial year	(20,947)	(21,420)	(13,835)	(15,875)	(13,510)	(10,421)	(10,358)
Impairment during the financial year	(824)	(1,632)	(3,868)	(4,212)	(853)	(2,294)	(5,197)
Reversal of impairment previously provided	-	8,382	1,691	-	-	-	213
Written off	6	1,056	26	6,525	3,537	2,793	-
Foreign exchange differences	345	(221)	111	52	405	(436)	707
	(21,420)	**(13,835)**	**(15,875)**	**(13,510)**	**(10,421)**	**(10,358)**	**(14,635)**
Trade receivables at the end of the financial year	**222,779**	**204,100**	**237,411**	**227,849**	**261,751**	**285,220**	**519,279**

For the past 6 years, the Group's total trade receivables increased from RM222.8 million in the FYE 2018 to RM285.2 million in the FYE 2023 as a result of the increase in demand of the Group's products and services which was in line with the increase in revenue from the FYE 2018 to the FYE 2023. For FPE 2024, the amount of trade receivables of RM519.3 million is mainly due to the timing of collection of the trade receivables. As majority of the trade receivables are from the Government, collection is expected to be fully paid by the end of the FYE 2024, which explains the increase in trade receivables for the FPE 2024 as compared to the previous years. As at 30 September 2024, the Group's trade receivable balance stands at RM519.3 million which can be supported and verified.

(d) **Other receivables**

The Group's other receivables consist of prepayments, deposits and VAT recoverable.

	Audited FYE						Unaudited
	2018	2019	2020	2021	2022	2023	30 September 2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External parties	28,260	6,510	7,304	8,143	12,193	10,055	56,639
Prepayments	15,294	19,142	16,431	27,012	32,063	26,895	62,895
Deposits	5,075	5,020	28	5,001	4,110	2,865	2,504
VAT recoverable	43,696	35,548	29,911	33,594	36,251	48,417	-
	92,325	**66,220**	**53,674**	**73,750**	**84,617**	**88,232**	**122,038**
Less:							
Accumulated impairment loss							
At the beginning of the financial year	(3,188)	(3,188)	(3,188)	(3,188)	(4,382)	(4,382)	(4,274)
Impairment during the financial year	-	-	-	(1,194)	-	108	-
	(3,188)	**(3,188)**	**(3,188)**	**(4,382)**	**(4,382)**	**(4,274)**	**(4,274)**
Other receivables at the end of the financial year	**89,137**	**63,032**	**50,486**	**69,368**	**80,235**	**83,958**	**117,764**

For the past 6 years and up to FPE 2024, the Group's other receivables increased from RM89.1 million in the FYE 2018 to RM117.8 million in the FPE 2024 mainly due to prepayments made to external parties.

(e) **Amount due from immediate holding company**

The Group's amount due from immediate holding company arises from BHB, the immediate holding company of the Group. The amount is unsecured, interest free and are repayable on demand. The amount due were utilised for sales of products.

4.3 Equity

		Audited FYE						Unaudited
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
Share capital	a	149,401	151,879	153,339	154,051	154,189	200,046	200,046
Exchange reserve	b	1,036	3,289	452	1,016	(2,281)	149	(5,419)
Revaluation reserve	c	-	-	-	-	-	100,534	100,710
Share reserves	d	8,015	7,191	1,996	1,670	3,624	3,624	3,624
Retained earnings / (Accumulated losses)		350,884	175,492	181,741	195,377[1]	(525,226)[4]	(603,419)	(473,879)
		509,336	**337,851**	**337,528**	**352,114[2]**	**(369,694)** [5]	**(299,066)**	**(174,918)**
Non-controlling interests	e	19,327	19,075	17,437	19,979	21,386	24,976	24,750
Total equity/(Capital deficiency)		**528,663**	**356,926**	**354,965**	**372,093[3]**	**(348,308)** [6]	**(274,090)**	**(150,168)**

***Notes*:**

(1) As a result of the prior year adjustment, retained earnings decreased to RM195.4 million.

(2) As a result of the prior year adjustment, retained earnings decreased to RM195.4 million. Accordingly, the Group's total equity before non-controlling interests decreased to RM352.1 million.

(3) As a result of the prior year adjustment, retained earnings decreased to RM195.4 million. Accordingly, the Group's total equity decreased to RM372.1 million.

(4) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in accumulated losses of RM121.0 million which resulted in the accumulated losses to increase to RM525.2 million.

(5) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in accumulated losses of RM121.0 million. Accordingly, the Group's total equity before non-controlling interests decreased to negative RM369.7 million.

(6) *As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in accumulated losses of RM121.0 million. Accordingly, the Group's capital deficiency increased to RM348.3 million.*

(a) **Share capital**

The share capital of the Company changed from the FYE 2018 to the FYE 2023, and FPE 2024 are due to the following:

(i) From the FYE 2018 to the FYE 2019, the share capital of the Group increased from RM149.4 million to RM151.9 million as a result of issuance of 724,700 Pharmaniaga Shares pursuant to the long term incentive plan at no consideration;

(ii) From the FYE 2019 to the FYE 2020, the share capital of the Group increased from RM151.9 million to RM153.3 million as a result of issuance of 476,000 Pharmaniaga Shares pursuant to the long term incentive plan at no consideration;

(iii) From the FYE 2020 to the FYE 2021, the share capital of the Group increased from RM153.3 million to RM154.1 million as a result of issuance of 286,000 Pharmaniaga Shares pursuant to the long term incentive plan at no consideration;

(iv) From the FYE 2021 to the FYE 2022, the share capital of the Group increased from RM154.1 million to RM154.2 million as a result of issuance of 250,000 Pharmaniaga Shares pursuant to the long term incentive plan at no consideration; and

(v) From the FYE 2022 to the FYE 2023, the share capital of the Group increased from RM154.2 million to RM200.0 million as a result of issuance of 250,000 Pharmaniaga Shares pursuant to the long-term incentive plan at no consideration and issuance of 131,020,866 Pharmaniaga Shares at a consideration of RM0.35 per Pharmaniaga Share pursuant to the private placement which was completed on 24 July 2023.

(vi) The share capital of the Group remained the same from the FYE 2023 to FPE 2024.

(b) **Exchange reserve**

The exchange reserve arising from the translation of the foreign subsidiaries, mainly consisting of Indonesia Rupiah, to the presentation currency.

(c) **Revaluation reserve**

The Group's revaluation reserve arises from revaluation of land and buildings, net of tax.

(d) **Share reserves**

The Group's share reserves arises from the Group's share option plan and long term incentive plan which were implemented on 13 May 2016 for the benefit of the Group's Directors and key senior management, and further extended to 12 May 2026 and include all employees of the Group (excluding foreign and dormant subsidiaries).

The share option plan's contribution to share reserve is recorded based on the total expenses recognised over the vesting period of which the specified conditions are to be specified. The estimates of the number of options that are expected to vest is revised based on the non-market vesting conditions and service conditions. The impact of the revision to original estimates will be adjusted corresponding to the share reserves in equity. When the options are exercised, new Pharmaniaga Shares are issued. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share reserves are transferred to retained earnings.

The long term incentive plan's contribution to share reserve is recorded based on the expenses recognised over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value of the shares is measured at the grant date and is recognised in equity in the share reserves. The number of shares expected to vest is estimated based on the non-market vesting conditions and the estimates are revised at the end of each reporting period with adjustments recognised in profit or loss and share reserves as appropriate. When shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

(e) **Non-controlling interests**

The Group's non-controlling interests is recorded as the net asset value of the subsidiaries of Pharmaniaga in which the Group do not fully own.

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4.4 Non-current liabilities and current liabilities

Non-current liabilities

	Note	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
Government grants	a	4,630	4,289	3,948	3,617	3,358	3,097	2,901
Borrowings	b	102	316	337	285,170	92,627	139,372	113,590
Lease liabilities	c	-	2,125	590	441	4,038	341	2,112
Deferred tax liabilities	d	59,191	18,066	16,239	21,352	18,815	32,846	28,659
Provision for defined benefit plan	e	8,306	9,999	10,259	9,079	9,051	10,841	11,032
Total non-current liabilities		**72,229**	**34,795**	**31,373**	**319,659**	**127,889**	**186,497**	**158,294**

Current liabilities

	Note	Audited FYE						Unaudited
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	30 September 2024 RM'000
Amounts due to related companies	f	2,429	2,230	2,977	4,890	7,671	8,023	7,137
Trade payables	g	572,257	548,994	441,562	677,633	648,019	627,781	754,802
Other payables	h	71,033	75,286	70,549	304,785[(1)]	296,496[(3)]	245,504	163,015
Amount due to immediate holding company	i	390	190	74	1,208	688	50,515	51,715
Contract liabilities	j	242	6,387	6,567	22,128	31,017	8,899	6,635
Government grants	a	341	341	341	332	260	260	260
Borrowings	b	642,745	564,981	669,272	570,056	1,066,272	1,047,727	1,120,037
Lease liabilities	c	-	1,457	1,551	1,193	5,155	3,943	2,973
Current tax liabilities	k	4,365	715	926	14,438	4,273	9,795	31,566
Dividend payable	l	13,025	-	-	-	7,859	-	-
Total current liabilities		**1,306,827**	**1,200,581**	**1,193,819**	**1,596,663[(2)]**	**2,067,710[(4)]**	**2,002,447**	**2,138,140**

***Notes*:**

(1) *As a result of the prior year adjustment, other payables increased to RM304.8 million.*

(2) *As a result of the prior year adjustment, other payables increased to RM304.8 million. Accordingly, the Group's total current liabilities increased to RM1,596.7 million.*

(3) *As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in other payables of RM149.5 million which resulted in the other payables to increase to RM296.5 million.*

(4) *As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in other payables of RM149.5 million. Accordingly, the Group's total current liabilities increased to RM2,067.7 million.*

(a) **Government grants**

The Group was granted Government grants to fund the purchase of certain intangible assets and PPE. It will be recognised as income in equal amounts over the expected useful life of the related assets.

(b) **Borrowings**

The Group's borrowings consist of bankers' acceptances, revolving credits, hire purchase, bank overdrafts and term loans which are utilised as follows:

(i) Bankers' acceptance were utilised for the Group's working capital;

(ii) Revolving credits were utilised for the Group's working capital;

(iii) Hire purchase was utilised for the purchase of machines and motor vehicles;

(iv) Bank overdrafts were utilised for the Group's working capital; and

(v) Term loans were utilised to fund Halal vaccine and insulin projects. Term loans were utilised to fund Pharmaniaga's Halal vaccine and insulin projects.

The Group's total borrowings as at 31 December 2018, 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024 are as follows:

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2018	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	6.12%	392,263(1)	-
Revolving credits	180 days	4.75%	250,000	-
Hire purchase	1-5 years	3.98%	482(2)	102(3)
Total borrowings			**642,745**	**102**

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2019	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	6.23%	412,813(4)	-
Revolving credits	180 days	4.66%	150,000	-
Hire purchase	1-5 years	3.98%	365(5)	316(6)
Bank overdraft	30 days	10.30%	1,803(7)	-
Total borrowings			**564,981**	**316**

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2020	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	4.19%	438,837(8)	-
Revolving credits	180 days	3.55%	230,000	-
Hire purchase	1-5 years	4.25%	435(9)	337(10)
Total borrowings			**669,272**	**337**

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2021	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	3.48%	543,979(11)	-
Revolving credits	up to 8 years	3.78%	25,700	282,299
Term loans	7 years	4.14%	-	2,690
Hire purchase	1-5 years	5.97%	377(12)	181(13)
Total borrowings			**570,056**	**285,170**

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2022	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	5.20%	681,300(14)	-
Revolving credits	up to 8 years	4.20%	345,633	91,666
Term loans	7 years	5.08%	38,820	-
Hire purchase	1-5 years	5.32%	519(15)	961(16)
Total borrowings			**1,066,272**	**92,627**

Type of financial instruments	Tenure	Interest rates per annum	As at 31 December 2023	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	6.61%	694,104(17)	-
Revolving credits	up to 8 years	4.96%	319,367	74,998
Term loans	7 years	6.13%	16,500	63,624(19)
Hire purchase	1-5 years	4.99%	677(18)	750(20)
Bridging loan	2 years	7.80%	17,079	-
Total borrowings			**1,047,727**	**139,372**

Type of financial instruments	Tenure	Interest rates per annum	As at 30 September 2024	
			Payable within 12 months RM'000	Payable after 12 months RM'000
Bankers' acceptances	180 days	6.89%	724,127(21)	-
Revolving credits	up to 8 years	4.91%	301,667	58,330
Term loans	7 years	6.79%	18,661 (22)	54,837 (24)
Hire purchase	1-5 years	4.99%	582 (23)	423 (25)
Bridging loan	2 years	7.80%	75,000	-
Total borrowings			**1,120,037**	**113,590**

Notes:

(1) RM136.7 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.288.

(2) RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.288.

(3) RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.288.

(4) RM158.7 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.295.

(5) RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.295.

(6) RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.295.

(7) RM1.8 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.295.

(8) *RM123.4 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.286.*

(9) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.286.*

(10) *RM0.2 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.286.*

(11) *RM146.7 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.292.*

(12) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.292.*

(13) *RM0.1 of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.292*

(14) *RM173.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.282.*

(15) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.282.*

(16) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.282.*

(17) *RM213.3 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.298.*

(18) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.298.*

(19) *RM13.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.298.*

(20) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.298.*

(21) *RM221.3 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.272.*

(22) *RM1.0 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.272.*

(23) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.272.*

(24) *RM11.6 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.272.*

(25) *RM0.1 million of the borrowings are denominated in IDR, translated based on the exchange rate of IDR1,000 to RM0.272.*

For the FYE 2018 to FYE 2023, and FPE 2024 and up to the LPD, the Group does not have any borrowings which are non-interest bearing. The Group has not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the FYE 2018 to FYE 2023, as well as FPE 2024.

For the FYE 2018 to FYE 2023, and FPE 2024 and up to the LPD, neither the Group nor its subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect Pharmaniaga's financial position and results or business operations or the investments by holders of the Group's securities, except for FYE 2022, FYE 2023 and FPE 2024 as disclosed in the following:

(a) Bankers' acceptance facilities agreement of RM100.0 million to Bank Muamalat Malaysia Berhad, RM90.0 million to UOB Bank, RM30.0 million to Standard Chartered Bank, RM70.0 million to Hong Leong Bank. The total borrowings related to the breach in covenants for the Group is RM180.9 million as at 30 September 2024 (FYE 2023: RM174.6 million; FYE 2022: RM161.3 million). These borrowings are presented as current liabilities as at 30 September 2024, 31 December 2023 and 31 December 2022 respectively. The outstanding balance of the bankers' acceptance facilities as at 31 December 2022 was RM161.3 million.

On 16 February 2024, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to earnings before interest, tax, depreciation and amortisation ("**EBITDA**") to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 with a borrowing balance of RM88.9 million (FYE 2023: indulgence granted on 16 February 2024 for borrowings of RM88.5 million; FYE 2022: indulgence granted on 4 April 2023 for borrowings of RM41.8 million).

On 11 March 2024, the Group was granted indulgence from another financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM92.0 million for the period up to 30 April 2025 (FYE 2023: indulgence granted on 21 December 2023 for borrowings of RM86.1 million; FYE 2022: indulgence granted on 21 March 2023 for borrowings of RM96.5 million).

The remaining borrowing balance without indulgence is Nil (FYE 2023: Nil; FYE 2022: RM 23.0 million);

(b) Revolving credits facilities agreement of RM50.0 million to UOB Bank and RM100.0 million to Al-Rajhi Bank.

The total borrowings related to the breach in covenants for the Group is RM96.0 million as at 30 September 2024 (FYE 2023: RM104.7 million; FYE 2022: RM131.3 million). These borrowings are presented as current liabilities as at 30 September 2024, 31 December 2023 and 31 December 2022 respectively.

On 16 February 2024, the Group was granted indulgence from a financial institution for non-compliance with the financial covenants relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM50.0 million (FYE 2023: indulgence granted on 16 February 2024 for borrowings of RM50.0 million; FYE 2022: indulgence granted on 4 April 2023 for borrowings of RM40.0 million).

The remaining borrowing balance without indulgence for the Group is RM46.0 million (FYE 2023: RM54.7 million; FYE 2022: RM91.3 million);

(c) Term loans facilities agreement of RM105.0 million to Bank Muamalat Malaysia Berhad. The total borrowings related to the breach in covenants for the Group is RM60.9 million (FYE 2023: RM67.0 million; FYE 2022: RM38.8 million).

On 11 March 2024, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM60.9 million for the period up to 30 April 2025 (FYE 2023: indulgence granted on 21 December 2023 for borrowings of RM67.0 million; FYE 2022: indulgence granted on 21 March 2023 for borrowings of RM38.8 million).

The borrowings of RM43.3 million remain as non-current liability for the Group. The remaining RM17.6 million is presented as currently liability in accordance with the contractual repayment terms; and

(d) As at 30 September 2024, other than the borrowings as disclosed above, certain facilities within the Group of RM415.5 million (FYE 2023: RM412.4 million; FYE 2022: RM394.2 million) contain cross-default clauses that may be breached due to the Group failing to meet certain financial covenants of other borrowings. These borrowings are present as current liabilities as at 30 September 2024.

The banks had not requested early repayment of these borrowings and the Group did not default on any repayment obligations as of the date when these financial statements were approved by the Board of Directors.

Save for the FYE 2022, for the FYE 2018 up to FPE 2024, the Group has not experienced any clawback or reduction in the facilities limit granted to by its lenders.

(c) **Lease liabilities**

Upon adoption of MFRS 16 Leases in FYE 2019, the lessees are required to recognise their leased assets and the related lease obligations in the statements of financial position.

Leases are recognised as right-of-use assets and a corresponding liability is recognised as lease liabilities at the commencement date of which the leased assets are available for use by the Group. The leased assets of the Group consist of leased land and buildings.

(d) **Deferred tax liabilities**

The Group's deferred tax liabilities arise from PPE and intangible assets which the deductible temporary differences can be utilised to net off the Group's deferred tax assets in the future.

Deferred tax 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.

(e) **Provision for defined benefit plan**

The Group's provision for defined benefit plan arises from its subsidiaries in Indonesia which operates an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003.

(f) **Amounts due to related companies**

The Group's amount due to related companies are non-trade in nature, unsecured, interest free and are repayable on demand. The amount due were utilised mainly for selling and distribution services.

(g) **Trade payables**

During the FYE 2023, the Group had conducted a review of its trade payables and assess the long outstanding trade payables. The Group's trade payables amount recorded are based on the invoices received from its suppliers. The carrying amount of these trade payables were determined based on the confirmation exercise and provisions, as well as accruals estimated for the repayment of the trade payables.

For the FYE 2023, the Group's trade payable decreased by RM20.2 million or 3.1% from RM648.0 million for the FYE 2022 to RM627.8 million for the FYE 2023. The decrease was due to the settlement of trade payables. For the FPE 2024, the Group's trade payable increased by RM127.0 million or 20.2% from RM627.8 million for the FYE 2023 to RM754.8 million for the FPE 2024. The increase was mainly due to the increase in purchases resulting from the additions of new products to the APPL in the Concession, as well as price revisions under the Concession due to increased supplier costs.

(h) **Other payables**

During the FYE 2023, the Group had conducted a review of its other payables and assess the long outstanding other payables. The other payables amount recorded are based on the invoices received from its suppliers. The carrying amount of these other payables were determined based on the confirmation exercise and provisions, as well as accruals estimated for the repayment of the other payables.

For the FYE 2023, the Group's other payables decreased by RM51.0 million or 17.2% from RM296.5 million for the FYE 2022 to RM245.5 million for the FYE 2023. The decrease was due to lesser penalty claims from customers. For the FPE 2024, the Group's other payables decreased by RM82.5 million or 33.6% from RM245.5 million for the FYE 2023 to RM163.0 million for the FPE 2024. The decrease was mainly due to the Waiver of Penalty.

(i) **Amount due to immediate holding company**

The Group's amount due to immediate holding company arose from management fees and payment made on behalf. The amount is unsecured, interest free and are repayable on demand except for RM50.0 million provided by the immediate holding company in Q4 2023, which is subject to interest of 6.5%.

(j) **Contract liabilities**

The Group's contract liabilities arise from contracts entered with its customers for the supply of medicines, medical and non-medical equipment. Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration in advance or has billed the customer. In the case of system and equipment design, planning, installation and commissioning contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers, vouchers issued by the Group to its staffs to redeem products sold under the RoyalePharma online store, as part of staff benefit, namely RoyalePharma Voucher, and other deferred income where the Group has billed or has received consideration before the goods are delivered or services are to be rendered to the customers.

(k) **Current tax liabilities/ tax recoverable**

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Current tax 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 Group's current tax liabilities arise from PPE, provisions and unutilised tax gains which the deductible temporary differences can be utilised to net off the Group's deferred tax assets in the future.

(l) **Dividend payable**

Dividend payable is dividends which has been declared by the Board but are yet to be paid to the shareholders.

On 24 November 2022, the Board declared a third interim dividend of 0.60 sen per Pharmaniaga Share, amounting to RM7.9 million. The third interim dividend was paid on 6 January 2023.

No dividend was proposed or declared in respect of the FYE 2023 and FPE 2024.

5. Liquidity and capital resources

5.1 Working capital

Pharmaniaga's business has been financed by both internal and external sources of funds. The internal sources of funds comprise cash generated from Pharmaniaga's business operations and shareholders' equity, whilst Pharmaniaga's external sources were mainly credit facilities from financial institutions. These funds were used for its business operations and growth.

As at 30 September 2024, Pharmaniaga's cash and bank balances amounted to RM66.4 million and total borrowings were RM1,233.6 million. As at 30 September 2024, Pharmaniaga's gearing ratio is negative 7.1 times due to the net liabilities position of the Group and current ratio is 0.6 times. As at the LPD, the Group has banking facilities namely trade facilities of approximately RM107.9 million which have not been utilised.

The decision to utilise either internally generated funds or borrowings for Pharmaniaga's business operations depends on, amongst others, Pharmaniaga's cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Immediately upon full implementation of the Proposed Regularisation Plan, Pharmaniaga expects to raise gross proceeds of up to RM653.5 million, which has been earmarked for the utilisation as disclosed in Section 3 of this Circular. Out of the total gross proceeds, a minimum of RM250.0 million up to RM335.0 million is allocated for partial repayment of the Group's existing borrowings which were utilised to fund, among others, the Group's working capital. After the repayment, the Group expects such facilities are available for future utilisation for its working capital requirements. In addition, up to RM80.2 million of the total gross proceeds will be earmarked for working capital purposes.

The Board is of the opinion that, after taking into account Pharmaniaga's cash flow position, the expected fund to be generated from operating activities and the proceeds to be raised from the Proposed Regularisation Plan earmarked for partial repayment of existing borrowings and working capital purposes, Pharmaniaga's working capital will be sufficient for its existing and foreseeable requirements for a period of 12 months from the date of this Circular.

5.2 Cash flows

5.2.1 Net cash (used in)/generated from operating activities

FYE 2018

For the FYE 2018, the Group recorded RM28.5 million cash used in operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a PBT of RM70.2 million. After accounting for the following items, net cash used in operating activities stood at RM81.8 million:

(a) interest paid during the year of RM36.9 million;

(b) income tax paid during the year of RM16.2 million;

(c) zakat paid during the year of RM1.1 million; and

(d) interest income received during the year of RM0.9 million.

FYE 2019

For the FYE 2019, the Group recorded RM239.0 million cash generated from operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a LBT of RM191.9 million. After accounting for the following items, net cash generated from operating activities stood at RM189.8 million:

(a) interest paid during the year of RM38.0 million;

(b) income tax paid during the year of RM10.3 million;

(c) zakat paid during the year of RM2.2 million; and

(d) interest income received during the year of RM1.4 million.

FYE 2020

For the FYE 2020, the Group recorded RM17.7 million cash generated from operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a PBT of RM35.8 million. After accounting for the following items, net cash used in operating activities stood at RM25.7 million:

(a) interest paid during the year of RM38.6 million;

(b) income tax paid during the year of RM2.9 million;

(c) zakat paid during the year of RM2.5 million; and

(d) interest income received during the year of RM0.6 million.

FYE 2021

For the FYE 2021, the Group recorded RM30.8 million cash generated from operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a PBT of RM277.1 million. After accounting for the following items, net cash used in operating activities stood at RM64.1 million:

(a) interest paid during the year of RM32.6 million;

(b) income tax paid during the year of RM39.7 million;

(c) zakat paid during the year of RM24.1 million; and

(d) interest income received during the year of RM1.5 million.

FYE 2022

For the FYE 2022, the Group recorded RM62.2 million cash used in operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a LBT of RM610.6 million. After accounting for the following items, net cash used in operating activities stood at RM142.3 million:

(a) interest paid during the year of RM41.3 million;

(b) income tax paid during the year of RM39.6 million;

(c) zakat paid during the year of RM0.2 million; and

(d) interest income received during the year of RM0.9 million.

FYE 2023

For the FYE 2023, the Group recorded RM126.8 million cash generated from operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a LBT of RM78.2 million. After accounting for the following items, net cash generated from operating activities stood at RM47.0 million:

(a) interest paid during the year of RM60.8 million;

(b) income tax paid during the year of RM20.6 million; and

(c) interest income received during the year of RM1.5 million.

FPE 2024

For the FPE 2024, the Group recorded RM5.8 million cash generated from operations after deducting the cash payments to suppliers and employees from the cash receipts from customers with a PBT of RM180.9 million. After accounting for the following items, net cash used in operating activities stood at RM64.5 million:

(a) interest paid during the period of RM53.5 million;

(b) income tax paid during the year of RM18.7 million; and

(c) interest income received during the year of RM1.9 million.

The net cash used in operations position for FPE 2024 was mainly due to the timing difference in customer collections, particularly from the MoH for the quarter. The Group expects for such receivables to be collected by the end of FYE 2024.

5.2.2 Net cash used in investing activities

FYE 2018

For the FYE 2018, the Group recorded net cash used in investing activities of RM76.6 million, which was mainly for the purchase of intangible assets of RM54.6 million and purchase of property, plant and equipment of RM17.3 million. The intangible assets purchased comprise the following:

(a) rights to supply amounting to RM45.8 million;

(b) capitalised development cost of work-in-progress amounting to RM2.8 million; and

(c) software amounting to RM6.0 million.

The property, plant and equipment purchased comprise the following:

(a) plant and machinery amounting to RM5.6 million;

(b) capital work-in-progress amounting to RM5.2 million;

(c) furniture, fittings, renovation and equipment amounting to RM4.7 million;

(d) buildings on freehold and leasehold lands amounting to RM1.1 million; and

(e) motor vehicles amounting to RM0.7 million.

FYE 2019

For the FYE 2019, the Group recorded net cash used in investing activities of RM72.7 million, which was mainly for the purchase of intangible assets of RM52.4 million and purchase of property, plant and equipment of RM20.4 million. The intangible assets purchased comprise the following:

(a) rights to supply amounting to RM40.5 million; and

(b) capitalised development cost of work-in-progress amounting to RM11.9 million.

The property, plant and equipment purchased comprise the following:

(a) plant and machinery amounting to RM7.9 million;

(b) furniture, fittings, renovation and equipment amounting to RM6.0 million;

(c) buildings on leasehold land amounting to RM2.7 million;

(d) motor vehicles amounting to RM2.1 million; and

(e) capital work-in-progress amounting to RM1.7 million;

FYE 2020

For the FYE 2020, the Group recorded net cash used in investing activities of RM32.6 million, which was mainly for the purchase of intangible assets of RM23.4 million and purchase of property, plant and equipment of RM9.3 million. The intangible assets purchased comprise the following:

(a) capitalised development cost of work-in-progress amounting to RM15.5 million; and

(b) rights to supply amounting to RM7.9 million.

The property, plant and equipment purchased comprise the following:

(a) capital work-in-progress amounting to RM3.7 million;

(b) plant and machinery amounting to RM2.6 million;

(c) furniture, fittings, renovation and equipment amounting to RM2.3 million; and

(d) buildings on leasehold land amounting to RM0.7 million.

FYE 2021

For the FYE 2021, the Group recorded net cash used in investing activities of RM45.6 million, which was mainly for the purchase of property, plant and equipment of RM30.4 million and purchase of intangible assets of RM15.0 million. The purchase of property, plant and equipment purchased comprise the following:

(a) capital work-in-progress amounting to RM17.3 million;

(b) furniture, fittings, renovation and equipment amounting to RM6.6 million;

(c) plant and machinery amounting to RM5.7 million;

(d) motor vehicles amounting to RM0.5 million; and

(e) buildings on leasehold land amounting to RM0.3 million.

The intangible assets purchased comprise the following:

(a) capitalised development cost of work-in-progress amounting to RM13.7 million; and

(b) software amounting to RM1.3 million.

FYE 2022

For the FYE 2022, the Group recorded net cash used in investing activities of RM72.3 million, which was mainly for the purchase of property, plant and equipment of RM59.3 million and purchase of intangible assets of RM18.4 million. The purchase of property, plant and equipment purchased comprise the following:

(a) capital work-in-progress amounting to RM52.8 million;

(b) furniture, fittings, renovation and equipment amounting to RM6.7 million;

(c) plant and machinery amounting to RM2.0 million;

(d) motor vehicles amounting to RM2.0 million; and

(e) buildings on leasehold land amounting to RM0.8 million.

The intangible assets purchased comprise the following:

(a) capitalised development cost of work-in-progress amounting to RM10.3 million;

(b) software amounting to RM4.7 million; and

(c) capitalised development cost amounting to RM2.2 million.

FYE 2023

For the FYE 2023, the Group recorded net cash used in investing activities of RM67.9 million, which was mainly for the purchase of property, plant and equipment of RM50.7 million, purchase of leasehold land of RM12.7 million and purchase of intangible assets of RM10.3 million. The purchase of property, plant and equipment purchased comprise the following:

(a) capital work-in-progress amounting to RM41.1 million;

(b) furniture, fittings, renovation and equipment amounting to RM2.4 million;

(c) plant and machinery amounting to RM4.8 million;

(d) motor vehicles amounting to RM1.1 million; and

(e) buildings on leasehold land amounting to RM1.3 million.

The intangible assets purchased comprise the following:

(a) capitalised development cost of work-in-progress amounting to RM9.2 million;

(b) software amounting to RM0.8 million; and

(c) rights to sell amounting to RM0.3 million.

FPE 2024

For the FPE 2024, the Group recorded net cash used in investing activities of RM31.0 million, which was mainly for the purchase of property, plant and equipment of RM19.2 million, increase in investment in deposits maturing more than 3 months of RM5.9 million and purchase of intangible assets of RM5.9 million. The purchase of property, plant and equipment purchased comprise the following:

(a) capital work-in-progress amounting to RM8.9 million;

(b) plant and machinery amounting to RM7.2 million;

(c) furniture, fittings, renovation and equipment amounting to RM2.5 million; and

(d) buildings on leasehold land amounting to RM0.6 million.

5.2.3 Net cash generated from/(used in) financing activities

FYE 2018

For the FYE 2018, the Group recorded net cash generated from financing activities of RM161.9 million, mainly due to the drawdown of short-term borrowings of RM1,535.9 million for working capital purposes.

The net cash generated from financing activities was partially offset by the following payments during the financial year:

(a) repayment of short-term borrowings amounting to RM1,334.8 million; and

(b) dividend payments of RM39.2 million to shareholders of the Company.

FYE 2019

For the FYE 2019, the Group recorded net cash used in financing activities of RM125.3 million, mainly due to the following:

(a) repayment of borrowings of RM1,512.5 million; and

(b) dividend payments of RM40.7 million to shareholders of the Company.

The net cash used in financing activities was partially offset by drawdown of borrowings of RM1,431.1 million for working capital purposes.

FYE 2020

For the FYE 2020, the Group recorded net cash generated from financing activities of RM71.5 million, mainly due to the drawdown of borrowings of RM1,541.1 million for working capital purposes.

The net cash generated from financing activities was partially offset by the following payments during the financial year:

(a) repayment of borrowings of RM1,432.4 million;

(b) payment of lease liabilities of RM10.6 million; and

(c) dividend payments of RM26.2 million to shareholders of the Company.

FYE 2021

For the FYE 2021, the Group recorded net cash generated from financing activities of RM120.7 million, mainly due to the drawdown of borrowings of RM2,329.1 million for working capital purposes.

The net cash generated from financing activities was partially offset by the following payments during the financial year:

(a) repayment of borrowings of RM2,146.5 million; and

(b) dividend payments of RM59.0 million to shareholders of the Company.

FYE 2022

For the FYE 2022, the Group recorded net cash generated from financing activities of RM220.8 million, mainly due to the drawdown of borrowings of RM2,291.1 million for working capital purposes.

The net cash generated from financing activities was partially offset by the following payments during the financial year:

(a) repayment of borrowings of RM1,980.1 million; and

(b) dividend payments of RM82.6 million to shareholders of the Company.

FYE 2023

For the FYE 2023, the Group recorded net cash generated from financing activities of RM95.3 million, mainly due to the drawdown of borrowings of RM3,247.5 million for working capital purposes, proceeds from issuance of share capital of RM45.9 million and advance from immediate holding company of RM50.0 million.

The net cash generated from financing activities was partially offset by the following payments during the financial year:

(a) repayment of borrowings of RM3,228.0 million;

(b) payment of lease liabilities of RM11.1 million; and

(b) dividend payments of RM7.9 million to shareholders of the Company.

FPE 2024

For the FPE 2024, the Group recorded net cash generated from financing activities of RM29.8 million, mainly due to the net drawdown of borrowings of RM69.6 million for working capital purposes.

The net cash generated from financing activities was partially offset mainly by partial scheduled repayments of the revolving credit facilities totalling RM34.4 million and payment of lease liabilities of RM5.1 million.

5.3 Types of financial instruments used

As at the LPD, save for the bank borrowings as disclosed in Section 4.4 of Appendix II of this Circular, the Group does not utilise any other financial instruments.

For clarity purposes, the financial instruments of the Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, fixed deposits with licensed banks and trade and other receivables, as well as financial liabilities such as borrowings, and trade and other payables.

5.4 Treasury policies and objectives

The Group finances its business operations mainly through internally generated funds from cash generated from you the operations and external sources of funds, namely, bank borrowings.

In the Group's ordinary course of business, it deals with customers and suppliers from both the domestic market and foreign market, where transactions are denominated in both local currency as well as foreign currencies. Pharmaniaga maintains bank accounts mainly in RM, IDR, USD and RMB, such that collections can be used to settle payments of the same currency where possible. This provides a natural hedge against fluctuations in the foreign exchange and mitigates its exposure to foreign exchange risks. Pharmaniaga may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Pharmaniaga's operations were not subject to any material impact arising from interest rate fluctuations throughout the FYE 2018 to FPE 2024. Accordingly, Pharmaniaga has not entered into any financial instrument to hedge against the fluctuations in the interest rate. Pharmaniaga manages its exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

5.5 Other key financial ratios

The key financial ratios of the Group are as follows:

		Audited						Unaudited
		As at 31 December						As at 30 September
	Section	2018	2019	2020	2021	2022	2023	2024
Trade receivables turnover period (days)[1]	5.5.1	34	26	32	17	27	31	N/A[10]
Trade payables turnover period (days)[2]	5.5.2	101	73	66	59	64	74	N/A[10]
Inventories turnover period (days)[3]	5.5.3	123	83	88	110	76	68	N/A[10]
Current ratio (times)[4]	5.5.4	0.8	0.8	0.8	1.0[7]	0.6[5]	0.6	0.6
Gearing ratio (times)[6]	5.5.5	1.3	1.7	2.0	2.4[8]	N/A[9]	N/A[9]	N/A[9]

Notes:

(1) Computed based on trade receivables as at the end of the respective financial year divided by the revenue for the respective financial year multiplied by 365 days.

(2) Computed based on trade payables as at the end of the respective financial year divided by the cost of sales for the respective financial year multiplied by 365 days.

(3) Computed based on inventories as at the end of the respective financial year divided by the cost of sales for the respective financial year multiplied by 365 days.

(4) Computed based on current assets over current liabilities as at the end of the respective financial year.

(5) As a result of the under-provision of penalties from the MoH in relation to the supply of drugs and non-drugs to MoH health facilities which occurred during the height of the COVID-19 pandemic, the Group had prior year adjustment in other receivables and other payables of RM9.7 million and RM149.5 million which resulted in the current ratio to decrease to 0.6.

(6) Computed based on the total borrowings over total equity (excluding non-controlling interests) as at the end of the respective financial year.

(7) As a result of the prior year adjustment, other receivables decreased to RM69.4 million, tax recoverable increased to RM18.3 million and other payables increased to RM304.8 million. Accordingly, the current ratio decreased to 1.0.

(8) *As a result of the prior year adjustment, retained earnings decreased to RM195.4 million. Accordingly, the gearing ratio increased to 2.4.*

(9) *Not applicable due to negative equity position.*

(10) *Trade receivables, trade payables and inventories turnover period are computed on the Group's annual revenue and cost of sales, respectively. As FPE 2024 is only 9 months, the computation of this matrix is not applicable.*

5.5.1 Trade receivables turnover period

The trade receivables turnover period for the FYE 2018 to FYE 2023 are as follows:

	Audited					
	As at 31 December					
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade receivables	222,779	204,100	237,411	227,849	261,751	285,220
Revenue	2,384,956	2,820,530	2,725,071	4,815,015	3,480,935	3,404,481
Trade receivables turnover period (days)	34	26	32	17	27	31

Pharmaniaga's normal trade terms to its customers ranges from 30 days to 120 days. Credit terms to customers are assessed and approved on a case-to-case basis, taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, transaction volume, financial background and market reputation. Pharmaniaga uses ageing analysis to monitor the credit quality of its trade receivables.

The Group's trade receivables turnover period was within the credit term for the FYE 2018, FYE 2020 and FYE 2023. Trade receivables turnover period for the FYE 2019, FYE 2021 and FYE 2022 were lower than the credit terms due to faster collection from customers particularly from MoH.

The ageing analysis of the Group's trade receivables as at 31 December 2023 is as follows:

	Within credit period	Exceeding credit period				
	Not past due	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	61 - 90 days past due but not impaired	More than 90 days past due but not impaired	Total
Trade receivables (RM'000)	219,566	22,644	10,275	9,055	23,680	285,220
% of total trade receivables (%)	77.0	7.9	3.6	3.2	8.3	100.0
Subsequent collections up to the LPD (RM'000)	(213,287)	(22,637)	(10,153)	(8,359)	(19,590)	(274,026)
Trade receivables net of subsequent collections (RM'000)	6,279	7	122	696	4,090	11,194
% of trade receivables net of subsequent collections to total trade receivables net of subsequent collections (%)	56.1	0.1	1.1	6.2	36.5	100.0

As at the LPD, approximately RM11.2 million of the outstanding trade receivables as at 31 December 2023 has yet to be collected.

As at the LPD, there is no dispute in respect of trade receivables and no legal action initiated by Pharmaniaga to demand for payment.

5.5.2 Trade payables turnover period

The trade payables turnover period for the FYE 2018 to FYE 2023 are as follows:

	Audited					
	As at 31 December					
	2018 RM'000	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Trade payables	572,257	548,994	441,562	677,633	648,019	627,781
Cost of sales	(2,062,845)	(2,726,549)	(2,429,875)	(4,185,000)	(3,690,523)	(3,096,660)
Trade payables turnover period (days)	**101**	**73**	**66**	**59**	**64**	**74**

The normal trade terms granted to the Group by its suppliers are cash term and credit terms ranging from 30 days to 120 days.

The Group's trade payables turnover period is within the credit term for the FYE 2018 to FYE 2023.

The ageing analysis of trade payables as at 31 December 2023 is as follows:

		Exceeding credit period				
	Within credit term	**1 to 30 days past due**	**31 to 60 days past due**	**61 - 90 days past due**	**More than 90 days past due**	**Total**
Trade payables (RM'000)	463,846	137,963	14,981	10,991	-	627,781
% of total trade payables (%)	73.9	22.0	2.4	1.7	-	100.0
Subsequent payments up to the LPD (RM'000)	(463,837)	(137,963)	(14,981)	(10,770)	-	(627,497)
Trade payables net of subsequent payments (RM'000)	9	-	-	221	-	230
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	4.0	-	-	96.0	-	100.0

As at the LPD, the outstanding trade payables as at 31 December 2023 that has not been paid is RM0.2 million and are expected to be settled progressively over the next 3 months.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by Pharmaniaga's suppliers to demand for payment.

5.5.3 Inventories turnover period

The inventories turnover period for the FYE 2018 to FYE 2023 are as follows:

	Audited					
	As at 31 December					
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Closing inventories	693,020	617,909	586,713	1,264,369	767,263	580,643
Cost of sales	(2,062,845)	(2,726,549)	(2,429,875)	(4,185,000)	(3,690,523)	(3,096,660)
Inventories turnover period (days)	**123**	**83**	**88**	**110**	**76**	**68**

The closing inventories for the FYE 2018 to FYE 2023 are as follows:

	Audited					
	As at 31 December					
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Closing inventory						
- Raw materials	43,560	46,063	45,144	49,702	87,403	48,530
- Packaging materials	22,703	23,066	24,843	26,961	33,231	26,797
- Work-in-progress	6,334	5,511	10,408	5,888	7,983	8,783
- Finished goods	620,423	543,269	506,318	1,181,818	638,646	496,533
	693,020	**617,909**	**586,713**	**1,264,369**	**767,263**	**580,643**

The Group's raw materials mainly consist of, amongst others, APIs, excipients and solvents.

The Group's packaging materials comprise, amongst others, blister packs, vials, ampoules, bottles, jars and cartons.

The Group's work-in-progress comprise semi-finished drugs, finished tablets or capsules.

The Group's finished goods consist of goods, which include tablets, capsules, syrups, injectables and consumable items.

The inventories turnover period decreased from 123 days for the FYE 2018 to 83 days for the FYE 2019 mainly due to the increase in cost of sales for the FYE 2019, attributable to the increase in changes inventories of finished goods of RM449.4 million and amortisation of intangible assets of RM228.8 million.

The inventories turnover period further increased by 5 days from 83 days for the FYE 2019 to 88 days in FYE 2020 mainly due to the decrease in cost of sales for the FYE 2020, attributable to the decrease in amortisation of intangible assets of RM247.3 million.

The inventories turnover period increased from 88 days for the FYE 2020 to 110 days for the FYE 2021 mainly due to the increase in cost of sales for the FYE 2021, attributable to the increase in raw materials and consumables used of RM1,080.0 million arising from the Group's Manufacturing segment whereby it manufactures fill and finish Sinovac COVID-19 vaccine.

The inventories turnover period decreased from 110 days for the FYE 2021 to 76 days for the FYE 2022 mainly due to the decrease in cost of sales for the FYE 2022, attributable to the decrease in inventories of RM497.1 million due to impairment of slow-moving and obsolete inventories arising from the impairment of Sinovac COVID-19 vaccine.

The inventories turnover period decreased from 76 days for the FYE 2022 to 68 days for the FYE 2023 mainly due to the decrease in cost of sales for the FYE 2023, attributable to the decrease in inventories of RM186.6 million due to impairment of slow-moving and obsolete inventories arising from the consumable inventory such as personal, protective equipment and needles.

5.5.4 Current ratio

The Group's current ratio over the FYE 2018 to FYE 2023, as well as FPE 2024 are as follows:

	Audited						Unaudited
	As at 31 December						As at 30 September
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
Current assets	1,058,526	933,711	926,244	1,632,273	1,194,806	1,107,466	1,340,901
Current liabilities	1,306,827	1,200,581	1,193,819	1,596,663	2,067,710	2,002,447	2,138,140
Net current assets / (liabilities)	**(248,301)**	**(266,870)**	**(267,575)**	**35,610**	**(872,904)**	**(894,981)**	**(797,239)**
Current ratio (times)	0.8	0.8	0.8	1.0	0.6	0.6	0.6

The Group's current ratio ranged from 0.6 times to 1.0 times for the FYE 2018 to FPE 2024.

The current ratio remained at 0.8 times from FYE 2018 to FYE 2020.

The current ratio increased from 0.8 times as at the FYE 2020 to 1.0 times as at the FYE 2021 due to the increase in inventories by RM677.7 million, mainly due to the increase in finished goods of the Sinovac COVID-19 vaccine.

The current ratio decreased from 1.0 times as at FYE 2021 to 0.6 times as at the FYE 2022 was mainly due to the increase in borrowings of RM303.7 million undertaken for working capital purposes. Further, the increase in borrowings were partially due to reclassification of borrowings from non-current to current liabilities due to breaches in the financial covenants of certain borrowings. In addition, the decrease in current ratio was attributable to the decrease in inventory of RM497.1 million due to impairment of slow-moving and obsolete inventories arising from the impairment of Sinovac COVID-19 vaccine.

The current ratio remained at 0.6 times from FYE 2022 to FPE 2024.

5.5.5 Gearing ratio

The Group's gearing ratio over the FYE 2018 to FYE 2023, as well as FPE 2024 are as follows:

	Audited						Unaudited
	As at 31 December						As at 30 September
	2018	2019	2020	2021	2022	2023	2024
Total borrowings (RM'000)	642,847	565,297	669,609	855,226	1,158,899	1,187,099	1,233,627
Total equity/(capital deficiency)[1] (RM'000)	509,336	337,851	337,528	352,114	(369,694)	(299,066)	(174,918)
Gearing ratio (times)	**1.3**	**1.7**	**2.0**	**2.4**	**N/A[2]**	**N/A[2]**	**N/A[2]**

Notes:

[1] Excluding non-controlling interests as at the end of the respective financial year.

[2] Not applicable due to negative equity position.

The Group's gearing ratio ranged from 1.3 times to 2.4 times for the FYE 2018 to FPE 2024.

The gearing ratio increased from 1.3 times as at the FYE 2018 to 1.7 times as at the FYE 2019 was mainly due to the decrease of total equity by RM171.5 million, mainly due to the full amortisation of the PhIS for the FYE 2019. The decrease in total equity was partially offset by the decrease in total borrowings as a result of repayment of the borrowings.

The gearing ratio increased from 1.7 times as at the FYE 2019 to 2.0 times as at the FYE 2020 was mainly due to the increase in total borrowings by RM104.3 million for working capital purposes.

The gearing ratio increased from 2.0 times as at the FYE 2020 to 2.4 times as at the FYE 2021 was mainly due to the increase in total borrowings by RM185.6 million for working capital purposes.

Gearing ratio as at the FYE 2022, FYE 2023 and FPE 2024 were not applicable as the Group is in a negative equity position.

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6. SIGNIFICANT TRENDS

As at the LPD, to the best of the Board's knowledge and belief and save as disclosed in this appendix, Sections 8.3 and 9, Appendix I and Appendix III of this Circular, Pharmaniaga's business operations have not been and are not expected to be affected by any of the following:

(a) any known factors, trends, demands, commitments, events or uncertainties that have had or that Pharmaniaga reasonably expect to have, a material favourable or unfavourable impact on Pharmaniaga's financial performance, position and operations;

(b) any unusual, infrequent events or transactions or any significant economic changes that have materially affected Pharmaniaga's financial performance, condition and results of operations;

(c) any known factors, trends, uncertainties, demands, commitments or events that are likely to have a material impact on Pharmaniaga's revenue and profits; and

(d) any known factors, trends, uncertainties, demands, commitments or events that are likely to affect, favourably or unfavourably, Pharmaniaga's liquidity and capital resources.

7. ORDERBOOK

As at the LPD, Pharmaniaga has secured a total of 45 contracts amounting to RM245.4 million for its business activities. The total unbilled amount as at the LPD is approximately RM102.6 million. Please refer to **Section 10 of Appendix I** of this Circular for details of Pharmaniaga's orderbook.

8. SIGNIFICANT CHANGES

Save as disclosed below, since the FYE 2023, being the most recent annual financial statements and up to the LPD, there were no significant changes that occurred which may have a material effect on the financial position and results of the Group.

(a) the adoption of the following new published standard and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2024:

(i) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale;

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

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

(iii) Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements';

(iv) Amendments to MFRS 121 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability;

(v) MFRS 18 Presentation and Disclosure in Financial Statements;

(vi) MFRS 19 Subsidiaries without Public Accountability: Disclosures;

(vii) Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments;

(viii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" on 'Sale or Contribution of Assets between Investor and its Associate or Joint Venture'; and

(ix) Annual Improvements to MFRS Accounting Standards – Volume 11 which contains a collection of narrow-scope amendments to the following:
- MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards;
- MFRS 7 Financial Instruments: Disclosures and Guidance on Implementing MFRS 7;
- MFRS 9 Financial Instruments;
- MFRS 10 Consolidated Financial Statements; and
- MFRS 107 Statement of Cash Flows.

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INDEPENDENT MARKET RESEARCH REPORT

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Date: 17 February 2025

The Board of Directors
Pharmaniaga Berhad
No. 7, Lorong Keluli 1B,
Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7,
40000 Shah Alam,
Selangor Darul Ehsan.

Dear Sirs/Madams,

Strategic Analysis of the Pharmaceutical Industry in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Pharmaceutical Industry in Malaysia' for inclusion into the Circular of Pharmaniaga Berhad ("Pharmaniaga" or the "Company") in relation to its Proposed Regularisation Plan.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true, balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

SEOW CHEOW SENG

Managing Director

About Protégé Associates Sdn Bhd

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Profile of signing partner

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 25 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

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The research for this IMR Report was completed on 31 January 2025.

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1.0 Overview of the Pharmaceutical Industry in Malaysia

Pharmaceutical generally refers to chemical substance which is used in healthcare for purposes such as diagnosis, treatment, or prevention of disease as well as restoration, correction, or modification of organic functions. Pharmaceutical products can be broadly categorised into various categories such as prescription products, non-prescription products, natural products and health supplements, among others.

In Malaysia, the manufacture of pharmaceutical products is classified under Group 210 (Manufacture of pharmaceuticals, medicinal chemical and botanical products) based on the Malaysia Standard Industrial Classification 2008 Version 1.0 ("**MSIC 2008**"). Meanwhile, the wholesale of pharmaceutical and medical goods is classified as Item 46421 under Group 464 (Wholesale of household goods). Pharmaceutical companies involved in the wholesale of pharmaceutical products typically store, refrigerate, deliver and install goods, as well as engage in sales promotion for their customers and label design. As such, the wholesaling of pharmaceuticals also covers logistics and distribution activities. Pharmaniaga participates in activities classified under Group 210 and Group 464.

Figure 1: Classification of Pharmaceutical Products relating to Manufacturing and Wholesaling Activities under MSIC 2008

CLASSIFICATION UNDER MSIC 2008		
Activities	**Manufacturing**	**Wholesaling**
Group	• **Group 210:** Manufacture of pharmaceuticals, medicinal, chemical and botanical products	• **Group 464:** Wholesale of household goods
Item	➢ **Item 21001**: Manufacture of medicinal active substances to be used for their pharmacological properties in the manufacture of medicaments ➢ **Item 21002**: Processing of blood ➢ **Item 21003**: Manufacture of medicaments ➢ **Item 21004**: Manufacture of chemical contraceptive products ➢ **Item 21005**: Manufacture of medical diagnostic preparation ➢ **Item 21006**: Manufacture of radioactive in-vivo diagnostic substances ➢ **Item 21007**: Manufacture of biotech pharmaceuticals ➢ **Item 21009**: Manufacture of other pharmaceuticals, medicinal chemical and botanical products not elsewhere classified	➢ **Item 46421**: Wholesale of pharmaceutical and medical goods

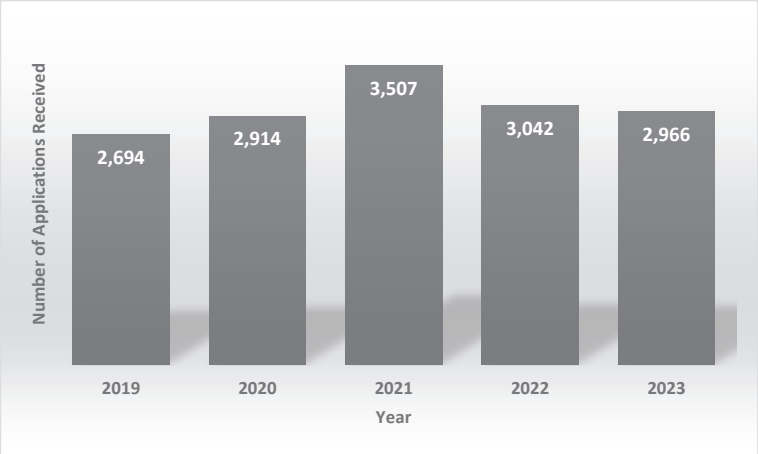
*Source: Department of Statistics Malaysia ("**DOSM**")*

The pharmaceutical industry in Malaysia has been identified in the New Investment Policy ("**NIP**") as one of the priorities for investment due to its comparative advantage and its alignment with the National Investment Aspiration framework, as well as the Twelfth Malaysia Plan and Sustainable Development Goals 2030. The pharmaceutical industry in Malaysia is already capable of producing a wide range of generic pharmaceutical products which include capsules and tablets, injectables and infusions, sterile preparations, as well as time-release and liquid medications, among others. Pharmaceutical products made in Malaysia are accepted globally given the industry's compliance with certifications and international standards such as the International Organisation for Standardisation ("**ISO**") 17025 (general requirements for the competence of testing and calibration laboratories) and the Good Manufacturing Practice. In addition, Malaysia is also a member of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme ("**PIC/S**").

The pharmaceutical industry in Malaysia has continued to receive attention from investors. In 2023, a total of 13 projects with investments of RM154.8 million were approved. Of these, 6 were new projects with investments of RM74.8 million (48.3%) and 7 were expansion or diversification projects with investments of RM80.0 million (51.7%). Foreign investments totalled RM6.4 million (4.1%) while domestic investments amounted to RM148.4 million (95.9%). These projects are expected to generate employment opportunities for 324 people.

In Malaysia, the National Pharmaceutical Regulatory Agency ("**NPRA"**) is responsible for the processing of product classifications covering products such as new chemical entities or new drug product, biologics, generics (scheduled poison and non-scheduled poison), health supplements, natural products, veterinary, food, medical devices, pesticides, and agriculture products. In 2023, NPRA received 2,966 product classification applications as compared to 3,042 product classification applications in the previous year.

Figure 2: Number of Product Classification Applications Received by NPRA, 2019-2023



Source: NPRA

The processing of registration applications for new drug products, biologic products, generic products (scheduled poison and non-scheduled poison), health supplements, natural products as well as veterinary products in Malaysia is also handled by NPRA. There were 1,699 products registered in 2023 as compared to 1,578 products registered in 2022. This brings the cumulative number of registered products up until December 2023 to 26,483 products.

Figure 3: Number of Products Registered with NPRA, 2019-2023

Product Category	2019	2020	2021	2022	2023
Prescription products	187	277	292	328	318
Non-prescription products	66	70	63	42	36
Natural products	679	734	627	670	687
Health supplements	315	424	438	487	613
Veterinary products	77	69	71	51	45
Total	**1,324**	**1,574**	**1,491**	**1,578**	**1,699**

Source: NPRA

In Malaysia, market surveillance and handling of product complaints procedures are put in place to monitor registered medicinal products. This is to ensure that the quality and safety standards of the products adhere to regulatory requirements. In 2023, 4,064 products were sampled under the Quality Monitoring Activity for Registered Products and Notified Cosmetics as compared to 4,488 products in the previous year.

During the coronavirus diseases ("**COVID-19**") pandemic period, the pharmaceutical industry in Malaysia has made inroads towards propelling the country into a hub for vaccine production and boost confidence in vaccine use. The first vaccine manufacturing facility performing the fill and finish process in Malaysia was established during the pandemic period and more vaccine manufacturing facilities are expected to be established in the long term as envisioned under the National Vaccine Development Roadmap. This development is expected to allow the country to make inroads and ride on the potential growth in the biopharmaceutical field. [Note: Biopharmaceuticals refer to complex medicines derived from living material such as human, animal, plant or microorganism and include products such as vaccines, therapeutic proteins, and blood components]

Meanwhile, local pharmaceutical industry players have remained active participants in the public healthcare sector. There are established local pharmaceutical industry players with long operating track record in handling the logistics and distribution of pharmaceutical products for the public healthcare sector. Such arrangement is expected to continue in the near future.

Moving forward, the pharmaceutical industry in Malaysia is expected to remain as one of the growth areas earmarked for promotion and development by the Malaysian Government. This industry has further room to grow beyond the production of generic drugs and fill-and-finish vaccines towards the undertaking of clinical trials and drugs development given its established pharmaceutical ecosystem, available incentives, research and development ("**R&D**") capabilities, as well as abundance of natural raw materials in the country.

The pharmaceutical industry in Malaysia relies significantly on imports to meet the country's demand for pharmaceutical products. This is due to a variety of factors including the need for a diverse range of drugs particularly originator products [Note: Originator product is generally a patented product that was first authorised worldwide for marketing on the basis of the documentation of its efficacy, quality, and safety in accordance to requirements at the time of its authorisation], limited local production capacity and technological limitations. The country imports a wide range of drugs, including both finished pharmaceutical products and raw material for local manufacturing. At the same time, local production is limited compared to overall demand for pharmaceutical products. In addition, local production mainly focuses on the production of generic drugs and ensure their timely roll-out locally (as the corresponding originator product's pattern expires) as the costs for developing an originator product can run into billions of ringgit with investments in R&D activities, preclinical studies and clinical trials, which local-owned pharmaceutical industry players are hard-pressed to meet. Hence, the importation of pharmaceutical products, specifically from countries with established regulatory systems and good manufacturing practices, helps ensure the availability of quality and safe pharmaceutical products in the country.

2.0 Historical Industry Performance and Growth Forecast

Protégé Associates has provided the following historical and growth forecast of the pharmaceutical industry in Malaysia based on a combination of resources, including the data obtained from the Department of Statistics Malaysia ("**DOSM**"), Ministry of Health, Malaysia ("**MOH**"), Malaysian Investment Development Authority ("**MIDA**") and Pharmaceutical Association of Malaysia ("**PAM**"). Data has also been gathered from further secondary and primary research works conducted. Searches on private limited pharmaceutical industry players have also been conducted with the Companies Commission of Malaysia ("**CCM**") while financial information from public listed pharmaceutical industry players has been extracted from the website of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") to gather more information on their business performance. Primary research works have been conducted with stakeholders in the local pharmaceutical industry to gather their insights on the market. All the findings have been collated, analysed and/or computed to ascertain the outlook of the pharmaceutical industry in Malaysia.

In 2022, the local pharmaceutical industry contracted by 4.9% to RM17.98 billion as there was lesser demand for COVID-19 vaccines with most of the adult population in the country already being administered with 2 doses in 2021.

Figure 4: Historical Size and Growth Forecast of the Pharmaceutical Industry in Malaysia, 2022-2029

Year	Size (Revenue) (RM million)	Annual Growth (%)
2022	17,981	-4.9
2023	19,087	6.2
2024[e]	20,199	5.8
2025[f]	21,555	6.7
2026[f]	23,206	7.7
2027[f]	25,024	7.8
2028[f]	26,988	7.8
2029[f]	29,108	7.9

*Compound annual growth rate ("**CAGR**") (2025-2029) (base year of 2024) = 7.6%*
Notes: [e] denotes estimate; [f] denotes forecast

Source: Protégé Associates

The local pharmaceutical industry rebounded into positive territory in 2023, expanding by 6.2% to RM19.09 billion on the back of higher demand for both locally produced and imported pharmaceutical products as demand for healthcare rises. In 2024, local pharmaceutical industry expanded by 5.8% to RM20.20 billion on the back of sustained demand for pharmaceutical products. However, the growth rate is relatively slower as compared to the growth rate registered in the previous year due to high base effect. For the period between 2025 and 2029, the pharmaceutical industry is projected to register annual growth ranging between 6.7% and 7.9% to reach RM29.11 billion in 2029, registering a CAGR of 7.6% for the forecast period from 2025 to 2029 (base year of 2024). The growth in the Malaysian pharmaceutical industry is expected to be supported by the large demand from the government and private pharmacy channels, the growing demand for healthcare and the prevalence of communicable and non-communicable diseases

as well as a growing and ageing population in Malaysia. These trends also augur well for the demand of vaccines and insulin in Malaysia. The use of vaccines has been gaining popularity in Malaysia particularly in recent years with the massive roll-out of COVID-19 vaccination in the country to protect the population against severe disease and death resulting from COVID-19 infection. The progress of vaccination against COVID-19 in the country has been impressive with 27,551,182 persons (across all age groups) fully vaccinated (with 2 doses) and 16,353,423 persons (across all age groups) had already received their first booster dose as of 22 January 2025.

In addition, the demand for vaccines in Malaysia has also been anchored by the ongoing Malaysian National Immunisation Programme ("**NIP**") that now protects Malaysian children against 13 major childhood diseases, more than the 6 childhood diseases recommended in the World Health Organisation Expanded Programme on immunisation. Malaysia has managed to register very high immunisation coverage under NIP. For Malaysia in 2023, Bacille Calmette-Guerin ("**BCG**") (a vaccine for tuberculosis disease) coverage for infants stood at 98.7% (with 450,505 vaccinated); polio immunisation coverage of infants (completion dose (3rd dose)) stood at 99.8% (455,757 vaccinated); coverage of children of age 1 to 2 years for 1st booster dose polio stood at 94.8% (419,706 vaccinated); immunisation coverage of infants for diphtheria, tetanus and pertussis (completion dose (3rd dose)) stood at 99.8% (455,757 vaccinated); immunisation coverage of infants for Haemophilus influenzae type b ("**HIB**") (completion dose (3rd dose)) stood at 99.8% (455,757 vaccinated); Hepatitis B immunisation coverage of infants (4th dose) stood at 99.8% (455,615 vaccinated); and immunisation coverage of children of age 1 to below 2 years for measles, mumps, and rubella ("**MMR**") stood at 100.6% (445,400 vaccinated).

Besides that, the prevalence of diabetes in the country is expected to continue driving the demand for insulins. In 2023, there were 2.0 million diabetes patients registered in the National Diabetes Registry ("**NDR**") and there were 870,771 active diabetes patients in the NDR. According to the NDR, 27.1% of patients were treated with insulin in 2023 (2022: 28.8% of patients) while 22.6% of patients were on insulin–oral anti-diabetic drug ("**OAD**") combination treatment (2022: 23.5% of patients).

3.0 Competitive Landscape

The Malaysian pharmaceutical industry exhibits certain characteristics of an oligopoly whereby it is dominated by a few dominant firms, both local and multinational. Local players benefit from the presence of multinational firms by accessing new technologies and markets, while multinational firms can leverage local expertise and partnership to navigate the domestic landscape effectively. Accordingly, the barriers to entry are relatively high and it is difficult for new firms (without any operating track record) to enter and compete successfully. In order to participate and compete effectively, any new market entrants would require attaining regulatory compliance, make substantial investments in R&D as well as build an extensive distribution network. Having said that, the characteristic of the industry remains dynamic and can change over time subject to various factors including government regulations, technological advancements and innovations, market dynamics and competition, amongst others.

In Malaysia, any company that wants to manufacture, import or wholesale any registered products (with NPRA) needs to have Manufacturer's License, Importer's License or Wholesaler's License according to the Control of Drugs and Cosmetics Regulations 1984. Hence, the type of participation by pharmaceutical companies in the industry is dependent on the type of license obtained by them. As of 31 January 2025, there were 265 licensed manufacturers, 416 licensed importers and 992 licensed wholesalers listed in the Quality Evaluation and Standards Team ("**QUEST**") system (a system utilised for the purpose of registration of medicines and cosmetics and licensing products in Malaysia). Pharmaceutical industry players in Malaysia can be divided into 2 groups, namely foreign-owned pharmaceutical industry players and local-owned pharmaceutical industry players.

1) Foreign-owned pharmaceutical industry players

This group refers to pharmaceutical industry players which are majority-owned by foreigners. Foreign-owned pharmaceutical industry players are generally the extension or Malaysia's business arm of established multinational parent companies. They are generally able to leverage on their respective parent company's significant scale and global presence, R&D capability (including the undertaking of clinical trials) and technical expertise, patent(s) ownership, wide distribution network, advanced supply chain management with extensive worldwide supplier relationships and/or operational track record to accelerate their industry learning curve, achieve economies of scale and gain competitive advantage.

The scope and scale of their business operations are very much subject to the internal business strategy deployed by their respective parent company. Foreign-owned pharmaceutical industry players generally have the financial muscle and resources to participate in most stages of the industry value chain. They strive for technological leadership and their strength in R&D and technical expertise put them in a good position to develop more products. Besides that, they are likely to have an extensive product portfolio and well-established brands.

Examples of foreign-owned pharmaceutical industry players in Malaysia include but are not limited to the following:

Industry Player	Participation		
	Manufacturer	Importer	Wholesaler
Apex Healthcare Berhad	✓	✓	✓
DKSH Malaysia Sdn Bhd	✓	✓	✓
Hoe Pharmaceuticals Sdn Bhd	✓	✓	
Novartis Corporation (Malaysia) Sdn Bhd		✓	
Pfizer (Malaysia) Sdn Bhd		✓	
Ranbaxy (Malaysia) Sdn Bhd	✓	✓	✓
Roche (Malaysia) Sdn Bhd		✓	
Sterling Drug (Malaya) Sdn Bhd	✓	✓	
Zuellig Pharma Sdn Bhd	✓	✓	✓

2) Local-owned pharmaceutical industry players

This group refers to pharmaceutical industry players which are majority-owned by Malaysians. The ability of local-owned pharmaceutical industry players in leveraging on their vast local knowledge puts them in an advantageous position in terms of building strategic business relationships, complying with local laws and regulations and catering to the specific needs of local customers. They also tend to focus more on achieving operational efficiency and cost competitiveness rather than leadership in industry standards and technologies.

Local-owned pharmaceutical industry players are slowly gaining ground against their foreign counterparts and have been accumulating long operating track record and building established brands in the market. They have also developed the confidence to establish international footprint overseas by undertaking manufacturing, marketing and/or sales activities outside Malaysia. In addition, they are also broadening their level of participation across the industry value chain. Some of them have embarked on a vertically integrated business model with participation in a combination of R&D, importing, wholesaling, retailing, manufacturing and/or logistics and distribution activities. There are also local-owned pharmaceutical industry players that are currently listed on the Official List of Bursa Malaysia – raising their profile in the industry.

Examples of local-owned pharmaceutical industry players in Malaysia include but are not limited to the following:

Industry Player	Participation		
	Manufacturer	**Importer**	**Wholesaler**
Pharmaniaga	✓	✓	✓
Avelon Healthcare Sdn Bhd			✓
Bioalpha Holdings Berhad	✓	✓	
Duopharma Biotech Berhad	✓	✓	✓
Hovid Berhad	✓	✓	✓
Kotra Industries Berhad	✓	✓	
Nova Wellness Group Berhad	✓		
Pharmarise Sdn Bhd			✓

3.1 Comparison between Pharmaniaga and Selected Pharmaceutical Industry Players

Pharmaniaga is an investment holding company whilst the Group is principally involved in the distribution, manufacture, sale and R&D of pharmaceutical and medical products, as well as supply, trading and installation of medical and hospital equipment. Pharmaniaga Logistics Sdn Bhd, a wholly-owned subsidiary of Pharmaniaga, has on 3 January 2024 entered into a concession agreement with the Malaysian Government (represented by MOH) that will give the rights and authorities to Pharmaniaga Logistics Sdn Bhd, among others, to undertake the procurement, storage, supply and delivery of medical products to offices and facilities within Malaysia which is operated and controlled by MOH. The concession agreement takes effect retrospectively from 1 July 2023 and shall remain in force for a period of 7 years until 30 June 2030 subject to earlier termination. Pharmaniaga, through its subsidiaries, is also a licensed manufacturer, importer and wholesaler with NPRA. As such, Protégé Associates has compiled a list of pharmaceutical industry players which are licensed manufacturers, importers and/or wholesalers with NPRA or have a subsidiary who is a licensed manufacturer, importer and/or wholesaler with NPRA in Malaysia for comparison purposes. The selected pharmaceutical

industry players have been further divided into 2 categories namely local- and foreign-owned pharmaceutical industry players.

Figure 5: Financial Comparison between Pharmaniaga and Selected Industry Players in the Pharmaceutical Industry in Malaysia

Industry Player	FYE*	Revenue (RM'000)	Gross Profit (RM'000)	Profit After Tax (RM'000)	Gross Profit Margin[1] (%)	Profit After Tax Margin[2] (%)
Local-owned Pharmaceutical Industry Players						
Pharmaniaga Berhad	**31/12/23**	**3,404,481**	**307,821**	**-78,744**	**9.0**	**-2.3**
Avelon Healthcare Sdn Bhd	30/06/24	62,661	6,802	3,931	10.9	6.3
Bioalpha Holdings Berhad	31/12/23	46,087	124	-43,654	0.3	-94.7
Duopharma Biotech Berhad	31/12/23	704,727	268,326	52,645	38.1	7.5
Hovid Berhad	30/06/23	296,427	N/A	38,692	N/A	13.1
Kotra Industries Berhad	30/06/24	226,554	N/A	44,596	N/A	19.7
Nova Wellness Group Berhad	30/06/24	40,837	23,433	7,868	57.4	19.3
Pharmarise Sdn Bhd	31/12/23	95,510	8,021	2,027	8.4	2.1
Foreign-owned Pharmaceutical Industry Players						
Apex Healthcare Berhad	31/12/23	936,170	214,829	397,989	22.9	42.5
DKSH Malaysia Sdn Bhd	31/12/23	7,412,059	N/A	108,119	N/A	1.5
Hoe Pharmaceuticals Sdn Bhd	31/12/23	164,805	N/A	29,112	N/A	17.7
Novartis Corporation (Malaysia) Sdn Bhd	31/12/23	772,694	138,341	18,502	17.9	2.4
Pfizer (Malaysia) Sdn Bhd	30/11/23	558,289	110,768	19,903	19.8	3.6
Ranbaxy (Malaysia) Sdn Bhd	31/03/24	209,280	N/A	35,708	N/A	17.1
Roche (Malaysia) Sdn Bhd	31/12/23	377,804	65,713	15,628	17.4	4.1
Sterling Drug (Malaya) Sdn Bhd	31/12/23	486,789	18,565	476	3.8	0.1
Zuellig Pharma Sdn Bhd	31/12/23	7,994,993	N/A	38,059	N/A	0.5

Notes:

1. *The list of selected industry players above is not exhaustive, alphabetically arranged and does not constitute as a ranking;*
2. *The above figures only provide an indication and is not considered directly comparable due to the following reasons:*
   a. *Not all industry players have the same financial year end*
   b. *The financial figures may be at the group level; and*
   c. *Not all industry players carry out activities which are completely similar to each other or in the same geographical area.*

** This represents the latest available financial information from Bursa Malaysia or CCM as at 31 January 2025; N/A denotes not available;*

[1] Gross Profit Margin = Gross Profit / Revenue;

[2] Profit after Tax Margin = Profit after Tax / Revenue;

Source: Bursa Malaysia, CCM and Protégé Associates

3.2 Pharmaniaga's Market Share Analysis

For the FYE 31 December 2023, Pharmaniaga generated revenue of RM3.41 billion from Malaysia, which is equivalent to approximately 17.9% share of the size of the Malaysian pharmaceutical industry in 2023 of approximately RM19.09 billion.

4.0 Demand Conditions

Figure 6: Demand Conditions Affecting the Pharmaceutical Industry in Malaysia, 2025-2029

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2025-2026	2027-2028	2029
+	Government and private pharmacy channels to continue anchoring demand	High	High	High
+	The growing demand for healthcare and the prevalence of communicable and non-communicable diseases	High	High	High
+	A growing and ageing population	Medium	Medium	Medium
-	Concerns about unregistered products sold in the market	Medium	Medium	Medium

Source: Protégé Associates

Government and Private Pharmacy Channels to Continue Anchoring Demand

The government and private pharmacy channels are expected to remain as the key sources of demand for pharmaceutical products, and this bodes well for the development of the pharmaceutical industry in Malaysia. Both channels have a very deep and wide geographical reach to customers given their existing networks of hospitals, institution, health clinics and/or pharmacies throughout Malaysia. The MOH received large allocation from the National Budget each year for development and operating expenditures including for the procurement of pharmaceutical products. In 2023, the MOH's medicines expenditure stood at RM3.31 billion, accounting for around 9.0% of MOH's total expenditure for the year. The MOH was allocated with a very sizeable budget of RM41.22 billion and RM45.27 billion for 2024 and 2025 respectively, and these are expected to drive the procurement of more pharmaceutical products to support the healthcare needs of the 'rakyat'; directly benefitting pharmaceutical industry players in particular those involved in the logistics and distribution of pharmaceutical products to the public healthcare sector. The number of pharmacy premises in Malaysia has also been increasing over the years. The number of pharmacy premises grew by 8.5% to 5,141 in 2023 from 4,740 pharmacy premises recorded in 2022. The greater availability of more pharmacy premises provides better access to consumers for pharmaceutical products which could in turn spur demand for pharmaceutical products. This demand condition is expected to have a high positive impact on the industry throughout the forecast period.

The Growing Demand for Healthcare and the Prevalence of Communicable and Non-communicable Diseases

The growth in the local pharmaceutical industry is expected to be further spurred by the growing demand for healthcare. Total expenditure on health (public and private) in Malaysia already surpassed RM60 billion in 2018 with total expenditure on health as a percentage of nominal gross domestic product ("**GDP**") stood at 4.2%. In 2022, expenditure on health (public and private) in Malaysia totalled RM78.95 billion with total expenditure on health as a percentage of nominal GDP stood at 4.4% (according to the official document from MOH released in October 2024). This trend points to a greater healthcare expense moving forward including expected higher demand for pharmaceutical products including vaccines and insulins. Besides that, the continuing cases of communicable (infectious) and non-communicable (non-infectious) diseases in the society including chronic diseases necessitate the consumption of pharmaceutical products for treatment purposes. In addition, it also drives awareness among consumers on the need to pursue a healthy lifestyle and undertake pharmaceutical products for general health maintenance purpose. This demand condition is expected to have a high positive impact on the industry throughout the forecast period.

A Growing and Ageing Population

The growing and ageing population in Malaysia is expected to support further growth in the local pharmaceutical industry by expanding the pool of potential demand for healthcare services and products including pharmaceutical products. In 2024, the population in Malaysia stood at 34.1 million and it is projected to reach 41.5 million in 2040. In addition, Malaysia is heading towards becoming an ageing society. In 2024, there were 2.6 million senior citizens (aged 65 years and above) or 7.7% of total population in Malaysia. The number of senior citizens in Malaysia is projected to reach 6.0 million or 14.5% of total population in 2040. The expected changes in the population age structure of Malaysia augurs well for the industry because the propensity to spend on pharmaceutical products increases over time with age as older adults tend to grapple with more health conditions that need to be treated on a regular basis and there is a more pressing need to ensure that their bodies stay healthy. This demand condition is expected to have a medium positive impact on the industry throughout the forecast period.

Concerns about Unregistered Products Sold in the Market

There are still lingering concerns about unregistered products being sold in Malaysia. In the past, unregistered products had been advertised and sold in the market particularly on the online platforms which has been on a rising trend. Consumers with access to new social media sites are susceptible to exposures on the sale of unregistered products by

irresponsible parties. For example, during the period from 2018 to August 2022, the Pharmacy Enforcement Division of the MOH seized RM10.8 million worth of unregistered pharmaceutical products such as Sparkle Twins (a body slimming product that poses serious health risks), Ginseng Kianpi pills (used to stimulate appetite) and Jamu Tok (an Indonesian traditional medicine used to boost immunity and cure illnesses). This issue can negatively impact the reputation of the local pharmaceutical industry and affect consumer confidence in its offerings. On a brighter note, the MOH, through the Pharmacy Enforcement Division, has been actively carrying out intelligence and operations, control of licensing as well as integrated monitoring and collaborative activities with stakeholders to address this issue. This demand condition has a medium negative impact on the industry throughout the forecast period.

4.1 Supply Conditions

Figure 7: Supply Conditions Affecting the Pharmaceutical Industry in Malaysia, 2025-2029

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2025-2026	2027-2028	2029
+	Encouraging support from the Malaysian Government	High	High	High
+	The push towards digital transformation	Medium	Medium	Medium
+	Further traction in R&D and clinical trial activities	Medium	Medium	Medium
-	Heavy reliance on imported raw materials	High	High	High

Source: Protégé Associates

Encouraging Support from the Malaysian Government

The Malaysian Government has been spearheading efforts to drive the growth in the local pharmaceutical industry. Pharmaceuticals has been identified as one of the 3 target sectors as part of the 1st wave of investment transformation under the NIP. Under the NIP, the Malaysian Government is taking a comprehensive approach including increasing economic complexity, creating high-value job opportunities, extending domestic linkages, developing new and existing clusters as well as improving inclusivity to catalyse high-quality investments to deliver forward-looking and equitable growth for the nation. The pharmaceutical industry has also been deemed as one of the 5 priority sectors under the New Industrial Master Plan ("**NIMP**") 2030, an overarching policy that strategises and provides the guiding direction for Malaysia's industrial development. There are also incentives made available by the Malaysian Government to drive the growth in the local pharmaceutical industry. The manufacturing of pharmaceutical and related products is one of the promoted activities which is eligible for consideration of Pioneer Status and Investment Tax Allowance under the Promotion of Investments Act 1986. Besides that, the development, testing and manufacturing of pharmaceuticals is a promoted activity for high technologies companies which is also eligible for consideration of Pioneer Status and Investment Tax Allowance under the same law.

As part of the efforts to develop the capabilities of the Bumiputera pharmaceutical industry players to supply medicine for the needs of the national healthcare system, the MOH has implemented the Skim Anak Angkat ("**SAA**") and Skim Panel Pembuat Bumiputera ("**SPPB**") whereby the items under the Approved Product Purchase List ("**APPL**") are sourced directly from companies under SAA or few companies under SPPB. (Note: APPL is a list of medicine and non-medicine that is supplied through concession companies). In addition, the MOH has also recently released the Health White Paper for Malaysia ("**HWP**") with the aim to reform the nation's health system towards realising better health and well-being for the 'rakyat'. One of the health reform pillars highlighted in the HWP is strengthening the health system's foundation and governance which includes stimulating research, innovation, and evidence-based approaches that can drive the development of the country's health industry including the pharmaceutical industry. All these served to reiterate the commitment by the Malaysian Government to drive the development of the local pharmaceutical industry which augurs well for industry growth throughout the forecast period.

The Push towards Digital Transformation

There are already concerted efforts made to embrace the digital transformation of core business processes among pharmaceutical industry players to create new revenue streams, drive value-producing opportunities and improve operational efficiency (through digitalisation). Data is also increasingly being changed from analogue to digital form (through digitisation). Digital transformation can also facilitate a more effective stakeholder engagement as the government and consumers are also increasingly interacting online via digital platforms and leveraging technology in almost every aspect of their operations or lives. The dependency on information technology during the COVID-19 pandemic has trained people to work remotely (which facilitates faster, virtual interactions between pharmaceutical staff and medical professional) leading to increased communication, knowledge sharing and access to subject matter experts. This in turn allows pharmaceutical industry players to increase their new non-sales roles (such as patient journey managers who manage the entire sequence of events that a patient experiences within a given healthcare system) or boost their R&D capabilities. Health technology is expected to play a greater role within the healthcare landscape

including in the local pharmaceutical industry in tandem with the implementation of the national digital infrastructure plan and the MOH placing digitalisation as a key focus area. This supply condition has a medium positive impact on the industry throughout the forecast period.

Further Traction in R&D and Clinical Trial Activities in Malaysia

Pharmaceutical industry players have been consistently investing in R&D activities and clinical trials in Malaysia over the years and this trend is expected to continue during the forecast period. In the past, member companies of the PAM had already conducted many clinical trials in Malaysia and more clinical trials (around 200 to 250) are expected to be conducted in the country in the next 15 years. There is also a strong intellectual protection established in the country to safeguard inventions as Malaysia is a party to various treaties including the World Intellectual Property Organisation, 1967; Paris Convention for the Protection of Industrial Property, 1883; Trade-Related Aspects of Intellectual Property Rights Agreement; and Patent Cooperation Treaty 1970 among others. These developments bode well for the growth of the local pharmaceutical industry as R&D activities and clinical trials form the backbone of medicine discovery in healthcare, as well as help the industry to move a step closer towards building a sustainable and resilient R&D culture in the country. This supply condition has a medium positive impact on the industry throughout the forecast period.

Heavy Reliance on Imported Raw Materials

Most input materials for pharmaceutical products particularly active pharmaceutical ingredients ("**APIs**") [Note: API refers to any substance or mixture of substances intended to be used in the manufacture of a pharmaceutical drug and that, when used, becomes an active ingredient of that pharmaceutical drug] are still imported, resulting in high costs and are subjected to supply chain disruptions and/or price volatilities. China and India are the major sources of APIs for the local pharmaceutical industry. Furthermore, there is a lack of human skills and knowledge in this field in Malaysia. This supply condition has a high negative impact on the industry throughout the forecast period.

5.0 Relevant Laws and Regulations

In Malaysia, the government agency that is responsible for ensuring the quality, safety and efficacy of pharmaceutical products is the NPRA. Meanwhile, the Drug Control Authority ("**DCA**") is the executive body established under the Control of Drugs and Cosmetics Regulations 1984 (with NPRA serving as its Secretariat) that is tasked with ensuring that pharmaceutical products, marketed in Malaysia are safe, efficacious and of quality and that the traditional medicines, health, and personal care products are safe and of quality. DCA achieves its objective through the following:

- Registration of pharmaceutical products;
- Licensing of premises for importer, manufacturer and wholesaler;
- Monitoring the quality of registered products in the market; and
- Adverse Drug Reaction Monitoring.

Notable laws and regulations (together with other relevant legislations) governing pharmaceutical and natural products for human use in Malaysia include the Sale of Drugs Act 1952, Control of Drugs and Cosmetics Regulations 1984, Dangerous Drugs Act 1952, Poisons Act 1952, Medicines (Advertisement & Sale) Act 1956, Wildlife Conservation Act 2010 (Laws of Malaysia Act 716), Promotion of Investments Act 1986, Poison (Sodium Hydroxide) Regulations 1962, Sale of Drugs (Certificate of Analysis) Regulations 1997 and International Trade in Endangered Species Act 2008 (Act 686).

6.0 Outlook and Prospects of the Pharmaceutical Industry in Malaysia

The outlook and prospects of the pharmaceutical industry in Malaysia are positive. The local pharmaceutical industry is projected to continue expanding at a growth rate of between 6.7% and 7.9% during the forecast period from 2025 to 2029.

The positive outlook on the demand for pharmaceutical products in Malaysia stems mainly from expected sustained large demand from the government and private pharmacy channels. The sizeable annual multibillion ringgit allocation to the MOH is expected to drive the demand for pharmaceutical products from industry players with active participation in the public healthcare sector. Other favourable demand conditions include the growing demand for healthcare and the prevalence of communicable and non-communicable diseases as well as a growing and ageing population in the country that help to drive spendings on pharmaceutical products. These demand conditions augur well for the business growth of industry players involved in the manufacturing, sales and distribution of pharmaceutical products including vaccines and insulins in Malaysia as envisioned under the National Vaccine Development Roadmap. The continuing implementation of NIP also helps to support the demand for vaccines in the country. The immunisation coverage for childhood diseases under NIP in Malaysia is also expected to remain at a very high rate of more than 90.0% moving forward. Meanwhile, the number of diabetes patients in registered in the NDR has remained on an upward trend – pushing up the demand for insulins. On the flip side, unregistered products sold in the market have remained a concern in the industry as they can negatively impact the reputation of the local pharmaceutical industry and affect consumer confidence in its offerings.

On the supply side, the local pharmaceutical industry is expected to continue receiving encouraging support from the Malaysian Government particularly in terms of policies and incentives. The introduction of the National Vaccine Development Roadmap by the Malaysian Government helps to provide short-, mid-, and long-term strategic plans to enable the country to become a vaccine-producing country, benefiting pharmaceutical industry players with involvement in the production of vaccines. Besides that, the push towards digital transformation among the stakeholders in the industry as well as further traction in R&D and clinical trial activities in Malaysia are expected to propel the industry to a greater height moving forward. However, the pharmaceutical industry in Malaysia needs to be mindful of its heavy reliance on imported raw materials which can make it more vulnerable to supply chain disruptions and/or price volatilities.

Moving forward, the local pharmaceutical industry is projected to grow from RM21.56 billion in 2025 to reach RM29.11 billion in 2029, registering a CAGR of 7.6% during this forecast period (base year of 2024). Within the pharmaceutical industry in Malaysia, we can also expect promising and positive outlook in the demand for vaccines and insulins on the back of policy support as well as the prevalence of diabetes among the Malaysian population.

The positive outlook in the pharmaceutical industry in Malaysia augurs well for the growth prospect for industry players such as Pharmaniaga. As one of the major pharmaceutical industry players in Malaysia with approximately 17.9% share of the Malaysian pharmaceutical industry in 2023, Pharmaniaga already has a proven track record as one of the few pharmaceutical industry players in Malaysia with an annual revenue of more than RM1 billion in 2023. Pharmaniaga holds a concession agreement to undertake the procurement, storage, supply and delivery of medical products by MOH from 1 July 2023 until 30 June 2030, and stands to benefit from the continual growth of the local pharmaceutical industry over the forecast period from 2025 to 2029.

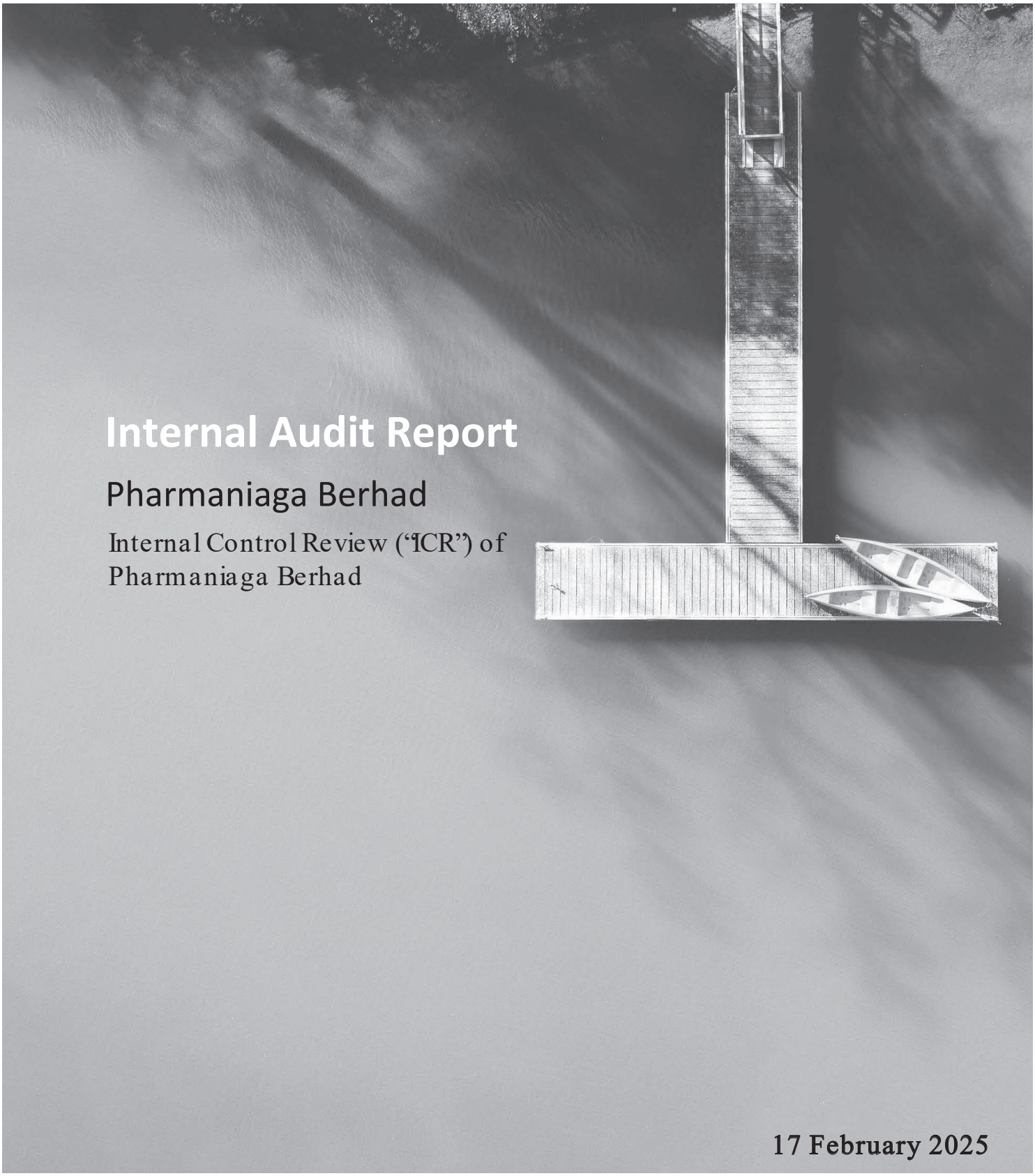
7.0 Overview of the Pharmaceutical Industry in Indonesia

The pharmaceutical industry is one of the key industries within the manufacturing sector in Indonesia. In 2023, the GDP (at 2010 constant market prices) contribution from the manufacture of chemicals, pharmaceuticals, and botanical products in Indonesia amounted to 235.72 trillion rupiahs / RM70.24 billion (based on the conversion rate of 1000 rupiahs = RM0.298) (2022 = 235.48 trillion rupiahs / RM66.64 billion (based on the conversion rate of 1000 rupiahs = RM0.283)), or 9.4% (2022 = 9.8%) of the total GDP contribution from the manufacturing sector. The pharmaceutical industry also continued to receive favourable attention from investors. Domestic direct investment realisation and foreign direct investment realisation in the Indonesian chemical and pharmaceutical industry in 2023 amounted to 33.87 trillion rupiahs / RM10.09 billion (based on the conversion rate of 1000 rupiahs = RM0.298) (2022 = 28.91 trillion rupiahs / RM8.18 billion (based on the conversion rate of 1000 rupiahs = RM0.283)) and 4.81 trillion rupiahs / RM1.43 billion (based on the conversion rate of 1000 rupiahs = RM0.298) (2022 = 4.51 trillion rupiahs / RM1.28 billion (based on the conversion rate of 1000 rupiahs = RM0.283)) respectively.

On the demand side, the country's huge population has helped to support demand for pharmaceutical products. The mid-year population of Indonesia in 2024 stood at 281.6 million persons (2023 = 278.7 million persons). Favourable government healthcare initiatives and policies have also helped to drive the growth in the industry. For example, the implementation of the national health insurance programme known as 'Jaminan Kesehatan Nasional' which allows citizens particularly the vulnerable low-income individuals to gain access to healthcare services including medicines without being forced to make out-of-pocket payments for them. The past COVID-19 pandemic and the prevalence of communicable and non-communicable diseases have also raised awareness among consumers on the need to pursue a healthy lifestyle and undertake pharmaceutical products for general health maintenance purpose.

On the supply side, there were 27,712 establishments that participated in the manufacturing of pharmaceuticals, medicinal chemical and botanical products in 2023. However, only 2.5% of them were medium and large manufacturing establishments (engaging at least 20 persons). The pharmaceutical industry in Indonesia enjoys a high profile due to the presence of public listed companies on the Indonesia Stock Exchange such as PT Kalbe Farma Tbk and PT Kimia Farma Tbk among others. The pharmaceutical industry has also enjoyed support from the Indonesian Government. The pharmaceutical industry is part of the priority sector in the 'Making Indonesia 4.0' roadmap led by the Ministry of Industry to revitalise the country's manufacturing sector and become a powerhouse in the Fourth Industrial Revolution. The Indonesian Government is also encouraging digital transformation in the industry to drive competitiveness. For example, state-owned pharmaceutical holding companies have been utilising digital technology in core business processes such as production and distribution. On the flip side, the pharmaceutical industry in Indonesia needs to overcome its dependence on imported raw materials in order to become more competitive.

Moving forward, the growth in the pharmaceutical industry in Indonesia is projected to gain further traction in the near future as it continues to ride on favourable demand and supply conditions. Expectations are also made for the Indonesian Government to continue paying close attention to the development in the pharmaceutical industry and undertake more growth-inducing initiatives and policies to drive its long-term growth.



Internal Audit Report

Pharmaniaga Berhad

Internal Control Review ("ICR") of Pharmaniaga Berhad

17 February 2025

Now, for tomorrow

bakertilly

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17 February 2025

Board of Directors
PHARMANIAGA BERHAD
No. 7, Lorong Keluli 1B,
Kawasan Perindustrian Bukit Raja Selatan,
Seksyen 7, 40000 Shah Alam,
Selangor Darul Ehsan, Malaysia.

STRICTLY CONFIDENTIAL

Dear Sirs,

REPORT ON INTERNAL CONTROL AND RISK MANAGEMENT REVIEW PERTAINING TO THE REGULARISATION PLAN OF PHARMANIAGA BERHAD

In accordance with Paragraph 5.6 of Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Pharmaniaga Berhad and its principal adviser, MIDF Amanah Investment Bank Berhad, must review the internal control and risk management system of Pharmaniaga Berhad and submit to Bursa Securities the results of such review together with its action plans to address the weaknesses identified.

Based on the above requirement, we have undertaken an independent evaluation on the internal control and risk management system in Pharmaniaga Berhad and we hereby enclose our report summarising our findings, recommendations for improvement and management comments.

Yours faithfully,
For or on behalf of
Baker Tilly Monteiro Heng Governance Sdn. Bhd.

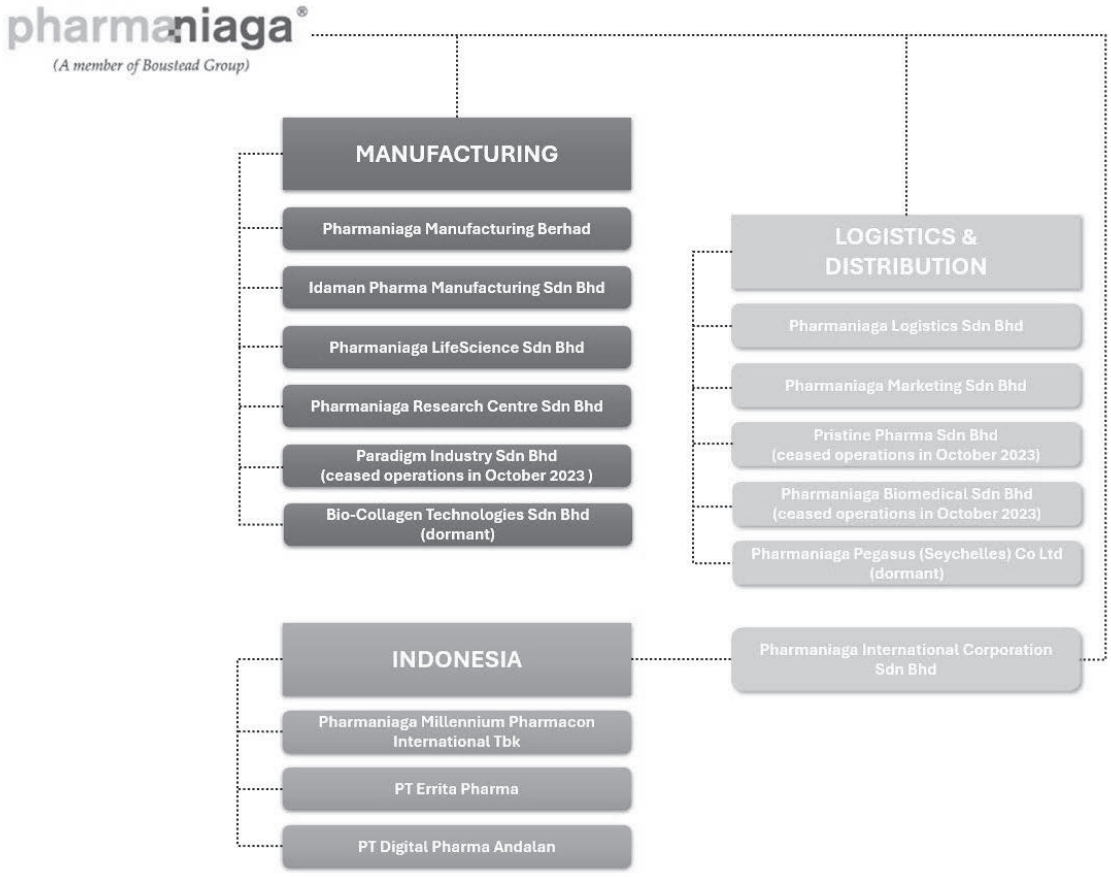
……..…
Kuan Yew Choong
Partner
Internal Audit & Risk Advisory

CONTENTS

A. INFORMATION SUMMARY

A1. Background Information and Principal Activities

We, Baker Tilly Monteiro Heng Governance Sdn Bhd, were appointed by Pharmaniaga Berhad ("Pharmaniaga" or "Company"), as the Internal Control Review Consultant in connection with the Proposed Regularisation Plan of Pharmaniaga Berhad, an integrated pharmaceutical Company, as part of the regularisation plan by Pharmaniaga to regularise the Company's financial condition and level of operations pursuant to Paragraph 8.04(3) of the Main Market Listing Requirements. The current group structure of Pharmaniaga Berhad is as follows:



Pharmaniaga Berhad and its subsidiaries collectively is termed as "Pharmaniaga Group" or "the Group" in this report.

A2. Audit Objectives

In connection with the above Proposed Regularisation Plan, we understand that the Board of Directors and MIDF Amanah Investment Bank Berhad ("MIDF"), the appointed Principal Adviser, are required to carry out an independent review and assessment of the overall risk management and internal control systems of Pharmaniaga Group to ensure that the Group have:

- Effective Corporate Governance Practices with adequate records being maintained;
- Adequate Systems, Procedures, Policies, Controls and Resources in place, to comply with the Listing Requirements and the relevant legal and regulatory requirements; and
- Adequate Internal Control Framework and Risk Management practices.

In line with the above requirement, Pharmaniaga has engaged Baker Tilly Monteiro Heng Governance Sdn Bhd to assist the Board of Directors of Pharmaniaga Berhad in meeting the above objectives and report our findings to the Company's Board of Directors and Principal Adviser for their information as part of the Proposed Regularisation Plan.

Our scope of work is to review and assess whether the internal control systems established by the Group are adequate and sufficient to address the key risks of the Group, including the adequacy of the Group's corporate governance and risk management practices for the Proposed Regularisation Plan.

A3. Audit Approach

Internal control is broadly defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations, including safeguarding of assets against loss
- Reliability of financial reporting both internal and external reporting; and
- Compliance with applicable laws and regulations.

The key concepts of internal control are as follow:

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is executed by people. It's not merely policy manuals and forms, but people at every level of an organisation.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.

Our review and the assessment were carried out in accordance with COSO (Committee of Sponsoring Organisations of the Treadway Commission) control framework (Internal Control – Integrated Framework) as a basis for assessing and reporting the adequacy and effectiveness of the Group's risk and control processes. COSO framework components comprise the following 5 interrelated control elements. These are derived from the way management runs a business and are integrated with the management process. The components are:

No	Component	Description
1	**Control Environment**	Provides an atmosphere in which people conduct activities and carry out their control responsibilities. The control environment sets the tone of an organisation, influencing the control consciousness of its people. Control environment factors include the integrity, ethical values, and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and the attention and direction provided by the Senior Management of the Company.
2	**Risk Assessment / Management**	Within the environment, management assess the risks to the achievement of specific business objectives. Risk assessment requires management to consider the impact of possible changes in the internal and external environment and to potentially take action to manage the impact.
3	**Control Activities**	Control activities are control processes along with their corresponding authority limits formalised and documented in the organisation's policies and procedures, that help to ensure management directives are executed and carried out accordingly. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, review of operating performance, security of assets and segregation of duties.
4	**Information & Communication**	**Information** is captured and communicated throughout the organisation. Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of internal control. **Communication** is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously.
5	**Monitoring**	Monitoring Activities are periodic ongoing evaluations to verify that each of the five components of internal control, including the controls that affect the principles within each component, are present and functioning.

B. EXECUTIVE SUMMARY

This report is prepared for the sole purposes as mentioned in Section A of the Information Summary and is addressed to the Board of Directors of Pharmaniaga and the Principal Adviser for the Proposed Regularisation Plan. Our role is strictly of reporting nature in accordance with the scope of work as stated in this report.

We have carried out our internal control review and assessment based on the COSO principles according to our approach as mentioned in Section A3 above. We have summarised the existing systems of internal controls and governance practices for each control component in the following paragraphs:

COSO Component	Summary of areas review	Conclusion* / Remarks
Control Environment	• The business operations of Pharmaniaga Group is principally run by the respective Divisional Chiefs or Directors with clear lines of reporting and responsibilities. • To foster a culture of integrity and uphold strong ethical values, the Group has established and implemented the Employee Code of Ethics & Conduct and other Policies, such as, Anti-Bribery & Corruption Policy Statement, Anti-Bribery Policy, Anti-Money Laundering Policy, Vendor Code of Ethics Policy, Gifting Policy and Whistleblowing Policy. • Formal Policies and Procedures, Standard Operating Procedures ("SOP") and/or Process Flowcharts were established and implemented accordingly within the Group, to govern and guide all the employees on all the necessary key functional processes within the Group. All these procedures are subject to periodical review and update. • Limits of Authority Approval was established and last revised with effective from 1 December 2022, defining management authority limits in all the key functional areas.	Satisfactory with areas for improvement: • Gaps noted on Board of Directors and Board Committees Composition. (Refer to section D1.1.) • The need to establish formal policies and procedures to assess external auditors. (Refer to section D1.2.) • Improvements required on succession plan for senior management of Pharmaniaga Group. (Refer to section D2.2.)

COSO Component	Summary of areas review	Conclusion* / Remarks
		• Improvements required in managing conflict of interest. (Refer to section D2.3.)
Risk Assessment / Management	• The Group has implemented Enterprise Risk Management Frameworks ("ERM Framework") for Pharmaniaga Malaysia[1] and PTMPI, which outline the fundamental risk management policies and standards to ensure that all key risks within the Group are identified in a timely manner, allowing implementation of appropriate internal control mechanisms to manage these key risks. • Pharmaniaga Malaysia had established Standard Operating Procedures on Corporate Risk Register, Operational Risk Management, and Business Risk Assessment, as guidance in managing and reporting of risks. • Corporate Risk Registers have been established for Pharmaniaga Malaysia and PTMPI to summarise key risks identified by the Group and their corresponding mitigating controls. The Corporate Risk Registers are reviewed on a quarterly basis and reported to Pharmaniaga and PTMPI board of directors respectively. • To ensure data protection and business continuity, regular backup schedules are established, and data of the critical operating systems such as Accounting and Payroll System is backed up on-site and offsite. • Business Continuity Management ("BCM") Policy is established with effective from 1 September 2022 to provide appropriate guidance on the business continuity management within Pharmaniaga Group.	Satisfactory with areas for improvement: • PTEP shall establish similar ERM Framework and Corporate Risk Register. (Refer to section D2.6.) • BCP shall be established for Manufacturing Division in Malaysia and entities in Indonesia. (Refer to section D2.7.)

[1] Pharmaniaga Berhad and all subsidiary companies operating in Malaysia.

COSO Component	Summary of areas review	Conclusion* / Remarks
	• Business Continuity Management Working Committee ("BCMWC") is established to coordinate and communicate relevant business continuity issues through regular meetings. • As guided by the BCM Policy, the Group has implemented Business Continuity Plan ("BCP") for the Logistic & Distribution Division. • Appropriate and sufficient insurance policies were procured to protect the Group's interests in order to cover insurable risks.	
Internal Control Activities	• Our review noted that key control procedures in Pharmaniaga Group are documented in the form of Policies and Procedures, SOP and/or Process Flowcharts for consistent implementation. These procedures will be reviewed and updated regularly. • Regular internal audits are conducted on a periodical basis to ensure the ongoing effectiveness of these internal control procedures, allowing necessary rectifications and on-going improvements to be made in a timely manner to enhance the overall control environment of the Group. • The Group utilises different applications to manage large volume of complex transactions in its businesses, and IT controls are available to segregate duties and their respective user access rights to uphold the integrity of data and information within these applications. • Our review noted that there are existing approval practices, which are guided by the Delegation of Approval Limits and other control activities currently adopted at different levels of the Group as well as at various stages within the business processes to control the Group's business performance.	Satisfactory with areas for improvement: • Improvements required on SOP for employee separation. (Refer to section D2.4.) • Improvements required in managing business development activities. (Refer to section D2.5.) • Improvements required on SOP on penalties for back charging to suppliers. (Refer to section D2.8.)

COSO Component	Summary of areas review	Conclusion* / Remarks
	• The control activities of segregation of duties, reviewing, authorization, verification and/or reconciliation, are effectively factored into the internal control system practiced by the Group. • For month end financial reporting, there is control to lock the ERP System upon the month end closing in preventing any additional postings or adjustments to be made. • The finance team of each subsidiary company are responsible for preparing the management accounts within the specified timeline and submitting them to the Group Finance Department for consolidation.	• The need to establish SOP on periodical assessment of impairment for new product development costs. (Refer to section D2.10.) • Improvements required in the management of slow-moving inventories and procurement practices. (Refer to section D2.11.)
Information & Communication	• There are key front-end and/or back-end applications implemented and utilised by the Group to capture and process data into useful information for periodical management reporting. • To facilitate effective communication, the Group follows a practice of conducting formal and regular management meetings, where important business direction and other important information are shared amongst the key management. • On a quarterly basis, the Group Financial Performance Review Report is prepared for the review of the Pharmaniaga's Board of Directors, during the quarterly Board of Directors' meeting. • Email communication is used formally and extensively to communicate financial, sales and operational information obtained internally within the Group or externally, to ensure information remains relevant to the key management for taking appropriate action and/or decision in a timely manner.	Satisfactory with areas for improvement: • The needs to document minutes for monthly management meeting consistently. (Refer to section D2.1.)

COSO Component	Summary of areas review	Conclusion* / Remarks
	• In addition, other complementary communication channels, such as, Microsoft Teams business communication software, social media messenger applications, and etc. are also used within the Group to further enhance departmental, cross-functional and cross-regional communications. • There is established functional organisation structure, which has pre-determined the reporting lines between Key Management and other key personnel, to facilitate regular flow of information and/or issue encountered from the operations to the Managing Director.	
Monitoring	• Ongoing monitoring of operational issues across various functions of the Group is carried out by the respective members of the Key Management and Head of Department ("HOD"). They adopt a hands-on approach and actively engage in the day-to-day management and operations of the Group. This ensures that any operational issues are promptly identified and addressed. • To facilitate effective communication and monitoring, the Group follows a practice of conducting formal and regular management meetings. These meetings serve as a platform for the Key Management and HOD to discuss and review key decisions, initiatives, and progress towards established targets, and further ensure alignment with the strategic direction set by the Board of Directors. • Pharmaniaga, being a subsidiary company of Boustead Holding Berhad, internal audit for Pharmaniaga Group is carried out by the in-house Group Internal Audit from Boustead Holding Berhad (hereinafter referred to as "Boustead GIA"). • The Boustead GIA has a team of skilled professionals conducting regular and periodical audits across various areas, departments, and business processes within the Pharmaniaga Group, to evaluate the Group's operations, risk management, and compliance processes. • The Boustead GIA reports their audit findings and recommendations directly to the Audit Committee of Pharmaniaga on a quarterly basis to enable independent oversight.	Satisfactory with areas for improvement: • Improvements required in performance monitoring and reporting for significant investments. (Refer to section D2.9.) • Improvements required in monitoring of new products under R&D development. (Refer to section D2.10.)

COSO Component	Summary of areas review	Conclusion* / Remarks
	• In addition, Boustead GIA also performs follow-up audit reviews on reported findings to monitor the implementation of recommended actions and the progress made in addressing the identified deficiencies noted from the internal audit reviews.	

*** Overall Assessment / Conclusion Rating Definition**

COSO Control components	Rating	Explanation
Weak	**1**	*System of internal controls are generally unsatisfactory as minimal internal controls to provide reasonable assurance that significant control objectives are achieved efficiently and economically as the risk identified are at an unacceptable level. Substantial corrective actions and improvements are required as significant risk or problems may occur and may not be duly detected and corrected.*
Below Average	**2**	*System of internal controls generally is in place for small entity but must be improved upon so as to provide reasonable assurance that significant control objectives are achieved efficiently and economically, and risks can be further reduced substantially. Problems may occur over time if controls are not adequately implemented and monitored.*
Average	**3**	*System of internal controls are adequate to provide some assurance that significant control objectives are achieved efficiently and economically as risk are managed to moderate level. There are shortcomings in some policies and procedures as well as controls that are not functioning as intended and specific improvement is needed. Thus, continuous compliance monitoring and improvement is needed.*
Satisfactory	**4**	*System of internal controls are adequate to provide reasonable assurance that significant control objectives are achieved efficiently and economically as risk are managed to an acceptable level. There are shortcomings in some controls, however, significant problems are unlikely to occur or will be detected and corrected over time.*
Good	**5**	*System of internal controls are satisfactory to provide reasonable assurance that significant control objectives are achieved efficiently and economically as risk are managed to a low level. No specific improvements are needed, only "continuous improvement" is expected.*

B1. Summary of Observations

We have undertaken a review of the Group's internal control systems and risk management practices based on the COSO framework. Each of the finding categorised or grouped under the above heading will be tagged to one or more of the COSO Control Component(s) of Control Environment ("CE"), Risk Assessment ("RA"), Control Activities ("CA"), Information & Communication ("IC") and Monitoring ("M").

In addition, each of the finding are also provided with a priority rating that is employed to assist the Directors and Key Management to prioritise the need to address the issues arising from this review. The priority rating is defined as tabled:

Priority Rating Category	Explanation
High ("H")	*This is a finding with fundamental significance, financial materiality or time sensitive to the Group and thus, immediate attention of the Directors and/or Key Management of the Group is required. We suggest that there should be agreed action plans to be established to address the finding, and the planned actions are implemented usually with immediate effect or within one (1) month from the date of this report.*
Moderate ("M")	*This is a finding of moderate significance to the Group which require near term attention of the Directors and/or Key Management of the Group. We suggest that there should be agreed action plans to be established to address the finding, and the planned actions are implemented usually within a timeframe of between one (1) month to three (3) months from the date of this report.*
Low ("L")	*This is a finding of least significance to the Group. Although immediate attention may not be required, resolution is still needed to enhance the overall internal control system and risk practices for continuous improvement. Thus, agreed action plan shall be established and implemented no later than six (6) months from the date of this report.*

A summary of the management issues arising from the review are as follow:

S/N	ISSUE SUMMARY	PRIORITY
D1: Corporate Governance		
D1.1	Board of Directors and Board Committees Composition	**Moderate**
D1.2	The need to establish formal policies and procedures to assess external auditor	**Low**
D2: Internal Control Systems and Risk Management		
D2.1	The needs to take minutes for monthly management meeting consistently	**Moderate**
D2.2	Areas for improvement on succession planning for senior management of Pharmaniaga Group	**Low**
D2.3	Areas for improvement in managing conflict of interest	**Moderate**
D2.4	Areas for improvement on Standard Operating Procedures on employee separation	**Moderate**
D2.5	Areas of improvement in managing business development activities of Pharmaniaga	**Low**
D2.6	Area for improvement in risk management for Pharmaniaga Group	**Low**

S/N	ISSUE SUMMARY	PRIORITY
D2.7	Area for improvement in Business Continuity Management for Pharmaniaga Group	Low
D2.8	Area for improvement on the Standard Operating Procedure for Penalty	**Moderate**
D2.9	Area for improvement for performance monitoring and reporting of significant investments	**Moderate**
D2.10	Areas for improvement on new products development process	**Moderate**
D2.11	Areas for improvement in handling slow moving inventories and procurement practices	**Moderate**

The overall results of the internal audit review are summarized in the following table:

Business Process	High Priority	Moderate Priority	Low Priority	Total Findings
D1: Corporate Governance	-	1	1	2
D2: Internal Control Systems and Risk Management	-	7	4	11
Total - H, M, L	**-**	**8**	**5**	**13**

C. REPORT'S LIMITATION

C1. Responsibility of Management

It is crucial for the Management to acknowledge that the responsibility for the design, development, implementation, continuous evaluation and improvement of internal control systems lies with individual managers and the management team. They are accountable for ensuring the existence of internal controls within their respective areas of responsibility and should not depend solely on periodic internal audit assessments as the primary means of monitoring the adequacy and integrity of controls.

C2. Basis of Reporting

This report deals primarily with the system of internal controls established by Management as set out under the scope of review. Due to the scope and nature of review and assessment, the issues and recommendations as set out in this report may not be exhaustive and other issues may exist.

C3. Limitation and Liabilities

Control procedures are designed to address specific control objectives and may be subjected to inherent limitations. Our report is based on sample testing performed on historical records or information. Accordingly, the review procedures may not detect, and should not be relied on to detect fraud, defalcations and irregularities.

Due to inherent limitations in any system of internal controls, errors or irregularities may occur and may not have been detected and reported by us. A risk also exists that controls, or compliance therewith, may have been subjected to changes that may have altered their validity. The on-going effective operation of any system depends very much on whether adequate controls exist, and whether these controls are monitored for on-going compliance and kept up to date to reflect the ever-changing business environment and operating circumstances.

We will not be responsible or liable if information material to our tasks is withheld, concealed from us, or wrongly represented to us.

C4. Restrictions on Use

This report is produced solely for the use in connection with the objectives set out in section A1 and A2 above. It is not intended for general circulation or publication or it is to be reproduced, quoted or referred to, in whole or in part, without our prior written consent. We do not assume any responsibility or liability for losses occasioned to the Group or any other parties as a result of the use of our report contrary to the provisions of this paragraph.

D. DETAILED ISSUES AND RECOMMENDATIONS

Details of internal controls deficiencies as summarized above that were identified from our review and the corresponding recommendations and management's comments are elaborated below.

D1: Corporate Governance

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
D1.1	**Board of Directors and Board Committees Composition** As of 13 June 2023, our review noted that there are currently five (5) different board committees have been established for Pharmaniaga: • Nominating and Remuneration Committee ("NRC") • Audit Committee ("AC") • Sustainability Committee ("SC") • Board Tender Committee ("BTC") • Risk and Investment Committee ("RIC") Our review noted that with the current board composition as of 13 June 2023, Pharmaniaga may not be able to have adequate directors participated in the respective board committees in order to comply with certain practices stated in the MCCG 2021 or Terms of Reference ("TOR") established by the respective Board Committee, such as: i) **MCCG 2021 Practice 5.9** – The board comprises at least 30% women directors. ii) **NRC TOR** – To have at least 4 members. iii) **SC TOR** – To have at least 4 members; and Independent Director as Chairman.	**Moderate**	The Board of Directors are recommended to ensure that the board composition requirements are fulfilled as per MCCG 2021 and respective board committees' TOR.	**Management Comment:** The Board is in the midst of identifying suitable candidate(s). The appointment will only take place once the result of due diligence is obtained. **Timeframe for Completion:** Completed, except for gender diversity requirement which to be targeted for completion within 2 years' time. **Person In-charge:** Company Secretary

PHARMANIAGA BERHAD
Internal Control Review of Pharmaniaga Berhad

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	iv) **BTC TOR** – To have at least 3 members; and Non-Executive Director as Chairman. v) **RIC TOR** – To have 3 to 5 members; and Independent Non-Executive Director as Chairman.			
D1.2	**<u>The need to establish formal policies and procedures to assess external auditor</u>** Our review noted the following: i) The Board has not adopted any documented policies and procedures to assess the suitability, objectivity and independence of the external auditor, although there are existing practices to informally evaluate the external auditor. ii) In addition, we were represented by the Company Secretary Department that there is no documented records on annual assessment for external auditor, as evidence to objectively evaluate the suitability, objectivity and independence of the external auditor.	Low	The Audit Committee is recommended to consider formalising the policies and procedures to assess the suitability, objectivity and independence of the external auditor. In addition, the Audit Committee should establish and maintain adequate documentation on annual assessment for external auditor, as evidence that objective evaluation has been carried out over external auditor's suitability, objectivity and independence.	**Management Comment:** Audit Committee will improvise the current practice by formalising the assessment to evaluate the suitability, objectivity and independence of the external auditor. Audit Committee will conduct an annual assessment of the external auditor and maintain the documentation of the evaluation appropriately. **Timeframe for Completion:** Completed **Person In-charge:** Company Secretary

D2: Internal Control Systems and Risk Management

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
D2.1	**The needs to take minutes for monthly management meeting consistently** We were made to understand that management meetings would be held on a monthly basis, involving senior management and divisional / department heads of the Group. The Company Secretary Department is required to attend the meeting and take minutes. However, based on our review of the management meeting minutes from first meeting in 2021 (1/2021) to most recent meeting in 2023 (4/2023), we noted that there is a total 28 meeting held within the period mentioned, and 7 out of 28 meeting minutes are not documented in writing. Further review also noted that the final version of the meeting minutes prepared is not signed-off by the Chairman of the meeting to confirm this as official records for onwards circulation to all participants of the meeting.	**Moderate**	The management is recommended to ensure that moving forward, meeting minutes shall be taken and documented consistently for all management meetings to be held from month to month. The Company Secretary Department shall ensure the completeness of meeting minutes as official records of meetings; and ensure that the final version of the meeting minutes is being confirmed, approved and signed-off by the Chairman of the meeting.	**Management Comment:** 4 out of 7 meetings are just meant for discussion on matters arising from Board Meetings or on the draft Board paper to be presented for upcoming Special Board meetings. The recordings of all Management meetings are kept by the Secretarial Department for future reference. We will ensure all minutes of meetings will be signed off. **Timeframe for Completion:** Completed **Person In-charge:** Company Secretary

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
D2.2	**Areas for improvement on succession planning for senior management of Pharmaniaga Group** As of 13 June 2023, the human capital management team represented that formalise Succession Planning Framework and / or SOP is currently not in place for Pharmaniaga Berhad, and they are fully aware that this is crucial as this has been highlighted to them by the Boustead GIA back then in year 2021. Nevertheless, we were informed that the Company can still be guided by the Boustead Succession Planning Procedures in the absence of its own formalised Framework and / or SOP. In addition, there are several efforts that have been initiated by the Human Capital Management Team of Pharmaniaga in relation to succession planning.	Low	To comply with the MCCG 2021, we recommend the management to formalise the Succession Planning Framework and / or SOP for onwards execution to ensure orderly succession of the board and senior management. Once completed, the said Succession Planning Framework and / or SOP shall be submitted to the Board of Directors, for review and approval and effected as such for onwards execution by the Human Capital Management Team.	**Management Comment:** The current Succession Planning Policy will be formalised and adopted by the Group once approved by the Board. **Timeframe for Completion:** Completed **Person In-charge:** Chief People Officer
D2.3	**Areas for improvement in managing conflict of interest** Our review noted that there are some areas for improvement in Pharmaniaga Malaysia for management's attention: i) Although all new joiner signed conflict of interest declaration form at the point of employment, there is currently a lack of practice to obtain periodical conflict of interest declaration from the employees (executive level	Moderate	The management is recommended on the following: i) Mandates the requirement to fill up and sign-off the Conflict of Interest Declaration Form for all	**Management Comment:** Management will improvise to include the frequency of declaration and steps in dealing with any conflict identified among others as recommended. **Timeframe for Completion:**

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	and above) who are hired at the exposed positions, such as, those working under Business Development, Sales & Marketing, Procurement, Government Liaison and etc. ii) In addition, there is a lack of clear policies and procedures in assessing and dealing with conflict of interest declared by employees. Based on our further review of the current practices regarding conflict of interest in PTMPI and PTEP, we have identified similar areas that require improvement: i) Based on the established Code of Conduct for PTMPI, employees are required to report conflict of interest at their own initiatives. There are no mandatory procedures in place for employees to declare conflicts of interest upon they join the Company and on a periodic basis; and ii) In PTEP, new employees are provided with a Declaration Form[2] to complete, but there is no established practice for employees to declare conflicts of interest periodically in subsequent years.		new joiners, this is especially the case for PTMPI. ii) Adopt good practice of requiring those employees hired at exposed positions (normally executive level and above) to declare conflicts of interest on a periodic basis i.e., annually. iii) Establish additional policies and procedures as a guidance for the management and / or Human Capital Management in dealing with actual or potential conflicts of interest declared by employees. The above recommended Policies / Procedures / Practices regarding to conflict of interest shall be applied across the Group covering both Malaysia and Indonesia operations.	Q1 2025 **Person In-charge:** Acting Head of Human Capital Management and Administration Division

[2] Formulir Pernyataan.

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
D2.4	**Areas for improvement on Standard Operating Procedures on employee separation** Upon our enquiry on 9 June 2023, the Senior General Manager of Human Resource represented that Employee Separation SOP is still under drafting. Our further review of the Employee Separation SOP Draft provided by the Senior General Manager of Human Resource noted that there is a lack of detail procedures pertaining to staff clearance upon employee separation, such as: • The requirement & clearance to return of company-issued property / asset, including the need to update IT Department to de-activate operating system permissions and access; and update Finance Department to check on outstanding advances / loan, if any. • Proper handover of duties and responsibilities by resigning employee. • Exit Interview.	Moderate	The management shall consider incorporating employee clearance procedures on resignation / termination, as mentioned in the audit observation, and then expediting the finalisation of Employee Separation SOP. Once completed, the said SOP shall be submitted to the designated senior management, for review and approval and effected as such. Thereafter, the approved policies and procedures shall be communicated to all staff to ensure compliance and controls are effective and there is no breakdown in processes due to employees' attrition.	**Management Comment:** Management will improvise the employee clearance procedures on resignation/ termination in the Employee Separation SOP. **Timeframe for Completion:** Completed **Person In-charge:** Chief People Officer
D2.5	**Areas of improvement in managing business development activities of Pharmaniaga** Our review noted the following areas in business development activities require further improvement:	Low	In this respect, the management is recommended with the following:	**Management Comment:** With the departure of Director of Business Development and Chief Strategy Officer, the Business

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	i) Business development activities for some of the previous potential business opportunities or potential partnership development are undertaken by the respective Project Owners, who possesses the relevant commercial and / or technical capabilities, instead of Business Development Department, thus these opportunities may not gone through structured processes, which shall be guided by the business development policies and procedures. ii) There are some overlapping roles and responsibilities where multiple functions or departments (under different Divisions within Pharmaniaga Group) are engaged in similar business development activities in relation to expanding the business and generating growth opportunities for Pharmaniaga Group.		i) Identify overlapping of roles and responsibilities related to business development within Pharmaniaga Group and considering streamline business development related roles and responsibilities to eliminate redundancies, optimize resource allocation, and improve overall efficiency. ii) Prepare and document a set of end-to-end Policies and Procedures for Business Development Department for consistent implementation across the Group.	Development team's roles and functions are under review and temporarily integrated into the Strategic Planning Department. These interim arrangements will continue until the Re-Organisation exercise is completed. New Business Development Policies and Procedures are currently being prepared in anticipation of the new updated Functional Organisation Chart for approval and adoption in due course. **Timeframe for Completion:** June 2025 (Once Re-Organisation exercise is completed) **Person In-charge:** Senior Management and Strategy Planning Department
D2.6	**Areas for improvement in risk management for Pharmaniaga Group** We would like to highlight the following areas for improvement for management's attention:	Low	It is suggested that the Pharmaniaga Group Risk Management Team shall facilitate PTEP management to formalise the Risk Management	**Management Comment:** Risk Management Framework for PTEP has been established and approved on 19 December 2023.

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	i) Other than the operational risks being considered and assessed for PTEP, as documented in the Forms of Risk / Opportunity Identification, Analysis and Mitigation, there is no Corporate Risk Register maintained by PTEP, which may include strategic risk, competitive risk, financial risk, and other significant risks within PTEP businesses and operating environment. ii) In addition, PTEP did not adopt any Enterprise Risk Management Framework in facilitating the establishment of Corporate Risk Register for periodical monitoring and reporting.		Policies and Framework within PTEP; and thereafter, documenting significant risks within PTEP businesses and operating environment, along with their existing mitigating controls and plans, for onwards management and reporting to the PTEP Board of Commissioner on a quarterly basis. In addition, we also recommend that both PTMPI and PTEP's Corporate Risk Register be escalated and reported to the Risk and Investment Committee at Group level in Malaysia on a quarterly basis.	PTEP's Risk Register has been established. Both PTMPI and PTEP's Corporate Risk Register are updated and reported to the Risk and Investment Committee at Group level in Malaysia on a quarterly basis. **Timeframe for Completion:** Completed **Person In-charge:** Head of Indonesia Operations Division
D2.7	**Areas for improvement in Business Continuity Management for Pharmaniaga Group** There is Business Continuity Management ("BCM") Policy established by Pharmaniaga to enable the Group to continue, recover and resume critical business functions or operations within the agreed timeframe in the event of major disruption. The BCM Policy require the Group to establish Business Continuity Plan ("BCP") for different businesses to address specific requirements during major disruption.	Low	The management shall closely monitor all the progress of BCP revision or development of the respective business divisions in both Malaysia and Indonesia, to ensure they are completed in a timely manner.	**Management Comment:** i) The review of BCP document is completed which amongst other include the Business Impact Analysis (BIA) and Risk Assessment (RA).

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	Our review noted that the status of the BCP of respective business segments are as follows: (a) BCP for Logistic and Distribution business was established and implemented in April 2021. The Head of Risk Management represented that internal review (every 2 years) of this BCP for Logistics and Distributions operating in Malaysia is in progress. (b) As of our review date on 14 June 2023, the BCP for manufacturing division operating in Malaysia, PTMPI and PTEP are still in progress.			ii) The establishment / revision of the BCP document for the Logistic and Distribution Division, Manufacturing Divisions in Malaysia, PTMPI and PTEP is completed and approved in December 2023, May 2024 and June 2024 respectively. **Timeframe for Completion:** i) Completed ii) Completed **Person In-charge:** Head of Risk Management
D2.8	**Area for improvement on the Standard Operating Procedure for Penalty** Our review of the established SOP for Penalty (SOP No.: CFO/FINANCE/PENALTY/2022/028) with effective from 15 December 2022 noted that the SOP was established to provide guidance to ensure all penalties claimed by the customer due to non-compliance of the Performance Standards set in the Concession Agreement between Kementerian Kesihatan Malaysia and Pharmaniaga Logistics Sdn Bhd are being checked, validated and processed accordingly.	**Moderate**	The management is recommended to review and update the Penalty SOP to include detailed procedures for timely identifying and back-charging of MOH's penalties to the suppliers. The SOP shall at least include the following key processes and their respective timelines:	**Management's Response:** The SOP on the penalty back-charge to suppliers to be included in the current SOP and to be adopted immediately. **Targeted Date of Implementation:** Completed **Person-in-Charge:**

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	However, our review noted that the abovementioned SOP does not include processes and procedures to ensure timely back-charge of MOH's penalties to the relevant suppliers due to their non-compliance. This is crucial to ensure the supplier is aware of the penalty in addressing the non-compliance.		• Penalty back-charge supporting documents compilation process • Process for preparation and approval of official letter to back-charge MOH penalty to suppliers • Processes for issuing of Debit Note to suppliers Once the said SOP is reviewed and updated, the said SOP shall be submitted to the Senior Management for review and approval and implemented as such. Thereafter, the said SOP shall be reviewed on a regular basis and updated to reflect new processes, if any.	Head of Operations Finance, PLSB
D2.9	**Area for improvement for performance monitoring and reporting of significant investments** Our sample review of an investment made by Idaman Pharma Manufacturing Sdn Bhd noted that there is a lack of formal periodical tracking, monitoring and reporting of on-going performance of the Group's significant project investment for highlighting potential shortcomings for timely and collective business decision-making e.g., update by the project owner to ensure the desired objectives stipulated in the Project Investment Paper ("PIP") can be met. This poses a potential	**Moderate**	Our review noted that the Standard Operating Procedure on Business Risk Assessment (SOP No.: RM/BRA/23/003) is newly established with effective from 3 April 2023, section 4.5.5 of the SOP states the following:	**Management's Response:** The management will revise the current SOP on Business Risk Assessment to include investment performance monitoring and reporting. **Targeted Date of Implementation:** Completed

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	risk to the overall success of the Group's significant investments.		*"Once the PIP approved by the Board, Project Owner shall continuously monitor the identified risk and execute mitigation plans as and when necessary."* The management is recommended to enhance the above SOP to include the following procedures on investment performance monitoring and reporting for significant investments to ensure agility in collective business decision making processes: • Definition of clear performance metrics aligned with investment objectives, such as, financial metrics (ROI, NPV, IRR) and operational metrics (targeted production efficiency, market share) • Clear procedures for periodical and systematic performance tracking, monitoring and reporting to the board or its board committee on actual performance against the targeted performance	**Person-in-Charge:** Head of Risk Management

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
			with corrective action to address significant gaps, if any.	
D2.10	**Areas for improvement on new products development process** During our sample review of the 10 impaired new product development ("NPD") costs, coupled with clarifications with the Manufacturing and R&D Team, we noted that impairment of 8 products were mainly impacted by shifts in consumer market dynamics, leading to changes in market demand. The rest of the 2 products were linked to challenges in product registration and raw material issues. In relation to the above impairment samples, we have identified areas for improvement in the NPD process as follows: i) The current SOP for NPD on periodical feasibility assessments along the new product development processes is no longer adequate and may not be able to catch up with the ever-changing market dynamic. ii) Our further review also noted that currently there is a lack of SOP to provide guidance on the implementation of a systematic and periodic assessment with regards to impairment of capitalised NPD costs i.e., initiation, review, and approval of NPD cost impairments.	**Moderate**	The management is recommended with the following: i) Considering the dynamic nature and challenges faced during the new product development processes, the management shall revisit the frequency of the feasibility assessments mentioned in the SOP for NPD. It is advisable that periodical feasibility assessments should be carried out, at least half-yearly, for all active NPD products in the aspect of technical, financial and market viability. The result of periodical feasibility assessment shall be documented and presented	**Management's Response:** i) The management will coordinate the periodical feasibility assessment for all active products under NPD during quarterly NPD Management Council Meeting. Each product will be assessed minimum twice a year in terms of financial and technical feasibility, and the current market dynamic and consumer trend. ii) A specific SOP under NPD will be established on the implementation of a systematic and periodic assessment with regards to impairment of capitalised NPD costs. The SOP will be implemented and approved by Senior Management

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
			during the NPD Management Council Meeting, to ensure collective and timely deliberation and decision on whether the development of certain products shall be discontinued. ii) To establish SOP on periodical assessment of NPD cost impairments, with objective of providing guidance on the implementation of a systematic and periodic assessment for the impairment of capitalised NPD costs i.e., initiation, review, and approval of NPD cost impairments. Once completed, the updated or new SOP shall then be submitted to Senior Management for review and approval and effected as such. The SOP shall be communicated to all staff to ensure compliance and controls are effective and there is no breakdown in processes due to employee's attrition.	and communicated to all staff involved in product development activities. **Targeted Date of Implementation:** i) Completed ii) Completed **Person-in-Charge:** Chief Scientific Officer

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
D2.11	**Areas for improvement in handling slow moving inventories and procurement practices** Based on our samples review, we identified that there are several areas for improvement in relation to the significant impairments as follows: i) Slow-moving inventories – personal protective equipment for APPL As of our review date on 8 December 2023, it was observed that the inventories of personal protective equipment for APPL had not been returned to respective suppliers in accordance with the relevant clause in the Supplier Agreement. From the chronological events reviewed by us, we are of the view that the delay in exploring and executing the return clause as per the Supplier Agreement pose a significant challenge to the Group, as prompt and effective execution of the processes is essential to mitigate further impairment losses for the Group. ii) Slow-moving inventories – Citrex products' raw materials Our review noted that there was a lack of PO issued from the customer i.e. Pristine Pharma Sdn Bhd, to support the purchase of raw materials for the manufacturing of Citrex products, a sales forecast was provided by Pristine Pharma Sdn Bhd instead. This procurement practice (without customer PO) may not be consistent with the	**Moderate**	The management is advised to ensure the following: Slow-moving inventories – personal protective equipment for APPL The management shall expedite the processes in returning the inventories to the respective suppliers in accordance with the relevant clause in the Supplier Agreement. Slow-moving inventories – Citrex products' raw materials To ensure adherence to the Purchasing Control Procedure for Trade Purchase, where raw materials only purchased when there is confirmed PO from the customer. Slow-moving inventories – consumer healthcare finished goods i.e. Baraka Should there be recurring inability of the supplier to meet the scheduled delivery due dates indicated in respective PO, PO should not be	**Management's Response:** i) The management has issued return notification to the relevant suppliers for the slow-moving excess stocks on 14 December 2023. ii) The management will enhance procurement practices by ensuring that raw materials are only purchased when there is a confirmed PO from the customer in order to be consistent with the Purchasing Control Procedure for Trade Purchases regardless of the pandemic situation. iii) The management will improve the procurement planning and monitoring process to avoid the issuance of multiple orders within a short timeframe. **Targeted Date of Implementation:** Completed

No.	Audit observation / Findings	Priority Impact	Recommendation	Management's comments
	Purchasing Control Procedure for Trade Purchase (SOP No. SC/015.7), where section 8.1 of the SOP stated that purchaser shall proceed with purchase based on the new ordering list received from customer. iii) <u>Slow-moving inventories – consumer healthcare finished goods i.e. Baraka</u> Our review of the past purchasing records for Baraka products noted that there were multiple orders were placed with the designated supplier for the same item within a short timeframe, especially in the later part of 2021; despite there has been a recurring inability of this supplier to meet the scheduled delivery due dates. The management represented that there was a monthly discussion meeting with this supplier. However, most goods have been delivered to the Pharmaniaga Logistics well beyond the agreed-upon timeframes, leading to operational challenges and potential disruptions in meeting market demands. Most of the goods were delivered to Pharmaniaga Logistics in the end of 2022 or early of 2023, there was a noticeable shift in market demand, resulting in excessive stocks accumulating in the warehouse due to delayed deliveries.		issued continuously, or PO cancellation should be considered. Respective supply chain management teams at the Group and subsidiaries level should be briefed and reminded of this good practice for routine procurement planning and monitoring.	**Person-in-Charge:** i) Head of Logistics and Distributions Division ii) Head of Manufacturing Division iii) Head of Private Marketing and Sales Division

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this Circular, and the Directors individually and collectively accept full responsibility for the accuracy of the information given in this Circular. The Directors confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

2.1 MIDF Investment

MIDF Investment, being the Principal Adviser for the Proposed Regularisation Plan, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

MBSB Berhad ("**MBSB**") is the holding company of Malaysian Industrial Development Finance Berhad ("**MIDF**") and MIDF Investment is a wholly-owned subsidiary of MIDF. MBSB, its subsidiaries and its related companies (collectively referred to as the "**MBSB Group**") are involved in diversified financial activities. MBSB Group has been engaged, and may in the future be engaged, in transactions with and/or perform services for the Company and its affiliates, in addition to MIDF Investment's role as the Principal Adviser for the Proposed Regularisation Plan.

Further, in the ordinary course of business, any member of the MBSB Group may at any time offer or provide its services to or engage in any transaction (or on its own account or otherwise) with any member of the Company and its affiliates, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MBSB Group generally acting independent of each other and accordingly, there may be situations where parts of the MBSB Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest.

Nonetheless, the MBSB Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

As at the LPD, MBSB Group has not been engaged in any other transaction(s) by Pharmaniaga and has not performed any services for Pharmaniaga and/or its affiliates in the past 12 months up to the LPD save for the following:

(i) MIDF Investment provides a bridging loan facility of RM75.0 million to the Group ("**Bridging Loan**");

(ii) MIDF Investment is the Principal Adviser and Placement Agent for the Private Placement;

(iii) MIDF Investment is the Principal Adviser for the Proposed Private Placement to LTAT which has been aborted;

(iv) MIDF Investment is the Principal Adviser for the Proposed Regularisation Plan; and

(v) MBSB Bank, a subsidiary of MBSB, is also a holder of RM200.0 million unrated sukuk issued by BHB.

The Management confirms that the repayment of the Bridging Loan will be made from internally generated funds.

Notwithstanding the above, MIDF Investment is of the view that no conflict of interest exists or is likely to exist in its capacity as the Principal Adviser to the Company in respect of the Proposed Regularisation Plan, in view of the following:

(i) MBSB Group forms a diversified financial group and is engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, consumer banking, brokerage, asset and funds management and credit transaction services business.

(ii) the appointment of MIDF Investment as the Principal Adviser is in its ordinary course of business and as the Principal Adviser, MIDF Investment does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser to the Company for the Proposed Regularisation Plan;

(iii) the bridging loan facility and unrated sukuk as abovementioned were provided by the MBSB Group on an arms' length basis and in its ordinary course of business in view of the MBSB Group's extensive participation in the Malaysian capital market and banking industry, and the said financing are not material, representing 0.7% when compared to the latest audited consolidated loans, advances and financing of MBSB Group as at 31 December 2023;

(iv) the bridging loan facility abovementioned was extended by the MBSB Group subsequent to the appointment of MIDF Investment as the Principal Adviser for the Proposed Regularisation Plan as interim funding source for the working capital of Pharmaniaga Group during the period prior to the completion of the Proposed Regularisation Plan;

(v) MIDF Investment is required under its investment banking license to comply with strict policies and guidelines issued by BNM, SC and Bursa Securities governing its advisory operations. These guidelines require, among others, the establishment of "Chinese Wall" policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and

(vi) the conduct of MBSB Group is strictly regulated by the Financial Services Act 2013, the Capital Markets Services Act 2007 and its internal control policies and procedures which includes, segregation of reporting structures, where its activities are monitored and reviewed by independent parties and committees.

As at the LPD, MIDF Investment is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Principal Adviser for the Proposed Regularisation Plan.

2.2 Crowe Malaysia PLT

Crowe Malaysia PLT, being the Reporting Accountants for the Proposed Regularisation Plan, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Crowe Malaysia PLT has confirmed that it is not aware of any conflict-of-interest situation which exists or is likely to exist in its capacity as the Reporting Accountants for the Proposed Regularisation Plan.

2.3 Protégé Associates Sdn Bhd

Protégé Associates Sdn Bhd, being the Independent Market Researcher for the Proposed Regularisation Plan, has given and has not subsequently withdrawn its written consent to the inclusion of its name, independent market research report, and all references thereto in the form and context in which they appear in this Circular.

Protégé Associates Sdn Bhd has confirmed that it is not aware of any conflict-of-interest situation which exists or is likely to exist in its capacity as the Independent Market Researcher for the Proposed Regularisation Plan.

2.4 Baker Tilly Monteiro Heng Governance Sdn Bhd

Baker Tilly Monteiro Heng Governance Sdn Bhd, being the Internal Control and Risk Management Consultant for the Proposed Regularisation Plan, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the summary of internal control review and risk management report, and all references thereto in the form and context in which they appear in this Circular.

Baker Tilly Monteiro Heng Governance Sdn Bhd has confirmed that it is not aware of any conflict-of-interest situation which exists or is likely to exist in its capacity as the Internal Control and Risk Management Consultant for the Proposed Regularisation Plan.

3. MATERIAL LITIGATION

As at the LPD, save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the business or financial position of the Group.

(a) Kuala Lumpur High Court Civil Suit No. WA-22NCvC-478-08/2023

PLSB ("Plaintiff") v Arcadin Services Sdn Bhd ("Defendant")

The Plaintiff commenced legal action against the Defendant vide the writ and statement of claim both dated 25 August 2023 where the Plaintiff claims for, inter alia, the sum of RM5,000,000.00 arising from the Defendant's breach of the Stadium Naming Rights Agreement dated 21 December 2021 entered into between the Plaintiff and the Defendant for the Defendant to grant the Plaintiff the exclusive naming rights in respect of a stadium commonly known as "Stadium Bola Sepak Kuala Lumpur" at a land owned by Dewan Bandaraya Kuala Lumpur.

The Plaintiff has filed discovery application for Defendant to Produce Further Documents ("**Plaintiff's Discovery Application**") on 6 February 2024. The Defendant has filed its affidavit in reply to Plaintiff's Discovery Application, out of time and has been objected by the Plaintiff's legal counsel.

The Defendant then filed an application for leave from the Court to file its affidavit in reply out of time ("**Defendant's Out of Time Application**") on 16 May 2024. The Plaintiff objected and filed its affidavit in reply to oppose the Defendant's Out of Time Application on 4 June 2024.

The Court has fixed 11 December 2024 for the Hearing of Defendant's Out of Time Application and Case Management for the Plaintiff's Discovery Application.

Concurrently, the Court has further directed Parties to consider mediation on the matter. The Plaintiff's legal counsel has informed the Court that Plaintiff is amenable to mediation but there has been no response from the Defendant. During the Case Management for the Plaintiff's Discovery Application on 11 December 2024, the Judge did not proceed with the hearing but was more inclined to prioritise mediation. The parties have scheduled the mediation on 15 April 2025 at Kuala Lumpur Mediation Centre.

Nonetheless, the Directors are of the view that the matter would not materially or adversely affect the business or financial position of the Group as PLSB is the Plaintiff claiming against the Defendant.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any other material commitments incurred or known to be incurred by the Group, which upon becoming enforceable may have a material impact on the business or financial position of the Group:

	RM'000
Authorised and contracted for:	
Acquisition of property, plant and equipment	2,724
Authorised but not contracted for:	
Acquisition of property, plant and equipment	198,244
	200,968

5. CONTINGENT LIABILITIES

As at the LPD, there are no other contingent liabilities incurred or known to be incurred by the Group, which upon becoming due or enforceable, may have a material impact on the business or financial position of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM, at the registered office of the Company at Level 23, The Bousteador, No. 10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor, Malaysia:

(i) the Constitution of the Company;

(ii) the audited consolidated financial statements of the Company for the FYE 2018, FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FYE 2023 and quarterly results for the FPE 2024;

(iii) the BHB's Undertaking Letter dated 19 February 2024;

(iv) the letter of undertaking from LTAT dated 26 August 2024;

(v) the IMR Report as set out in Appendix III of this Circular;

(vi) the internal control review and risk management report and its summary, as set out in Appendix IV of this Circular;

(vii) the letters of consent and declaration of conflict of interest referred to in Section 2 of this Appendix; and

(viii) the relevant cause papers in respect of the material litigation referred to in Section 3 of this Appendix.

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PHARMANIAGA BERHAD
(Registration No.: 199801011581 (467709-M))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Pharmaniaga Berhad ("**Pharmaniaga**" or the "**Company**") ("**EGM**") will be held on Thursday, 20 March 2025 at 10.00 a.m. or at any adjournment thereof at the Royale Ballroom, Level 2, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan ("**Main Venue**") for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN THE COMPANY ("RIGHTS SHARES") TO RAISE GROSS PROCEEDS OF UP TO RM353.5 MILLION ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED RIGHTS ISSUE")

"THAT subject to and conditional upon the passing of Special Resolution 1 and Ordinary Resolution 2, and the approvals of all relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given to the Board of Directors of Pharmaniaga ("**Board**") to allot and issue up to 3,535,156,382 Rights Shares by the entitled shareholders whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later (**"Entitled Shareholders"**);

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s), as the case may be, shall be made available for excess applications in such manner and to such persons (**"Excess Applicants"**) as the Board shall determine at its absolute discretion;

THAT fractional entitlements of the Rights Shares arising from the Proposed Rights Issue, if any, will be disregarded, and/or dealt with by the Board in such manner as it may at its absolute discretion deem fit or expedient and in the best interest of the Company.

THAT the Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Pharmaniaga Shares including the entitlements to dividends, rights, allotments or other distributions, except that such Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which is before the date of allotment of such Rights Shares.

THAT the Rights Shares shall be listed on the Main Market of Bursa Securities.

THAT the proceeds of the Proposed Rights Issue will be utilised for the purposes as set out in the Company's circular to shareholders dated 19 February 2025 ("**Circular**") and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds as it deems fit, necessary and expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities and/or the shareholders of the Company at an extraordinary general meeting to be convened, if necessary.

AND THAT the Board be and is hereby authorised to take all the necessary steps to give effect to the Proposed Rights Issue with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue."

ORDINARY RESOLUTION 2

PROPOSED PRIVATE PLACEMENT OF NEW PHARMANIAGA SHARES TO THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER TO RAISE GROSS PROCEEDS OF UP TO RM300.0 MILLION, WITH A MINIMUM OF RM215.0 MILLION ("PROPOSED PRIVATE PLACEMENT")

THAT subject to and conditional upon the passing of Special Resolution 1, Ordinary Resolution 1, and the approvals of all relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given to the Board to allot and issue up to 2,142,857,143 new Placement Shares to third party investor(s) who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007 to be identified, at an issue price to be determined later and upon such terms and conditions as disclosed in the Circular.

THAT pursuant to Section 85 of the Act read together with Paragraph 7.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and Clause 10 of the Constitution of the Company, approval be and is hereby given to irrevocably waive the statutory pre-emptive rights of the shareholders of the Company to be first offered the new Pharmaniaga Shares to be allotted and issued by the Company pursuant to the Proposed Private Placement which will rank equally to the existing Pharmaniaga Shares.

THAT the Placement Shares will, upon allotment and issuance, rank pari passu in all respects with the existing Pharmaniaga Shares, except that the holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

THAT the Placement Shares shall be listed on the Main Market of Bursa Securities.

THAT the proceeds of the Proposed Private Placement will be utilised for the purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds as it deems fit, necessary and expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities and/or the shareholders of the Company at an extraordinary general meeting to be convened, if necessary.

AND THAT the Board be and is hereby authorised to take all the necessary steps to give effect to the Proposed Private Placement with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement."

SPECIAL RESOLUTION 1

PROPOSED CAPITAL REDUCTION OF THE ISSUED SHARE CAPITAL OF THE COMPANY BY THE CANCELLATION OF RM520.0 MILLION ISSUED SHARE CAPITAL WHICH IS LOST AND/OR UNREPRESENTED BY AVAILABLE ASSETS PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED CAPITAL REDUCTION")

"**THAT** subject to and conditional upon the passing of Ordinary Resolution 1 and Ordinary Resolution 2, and the approvals of all relevant authorities and/or parties (where applicable) being obtained, the Board be and is hereby given the authority and approval to reduce the share capital of the Company via the cancellation of the issued share capital of RM520.0 million pursuant to Section 117 of the Act after the implementation of Proposed Rights Issue and Proposed Private Placement, and that the credit arising from such share capital reduction is to be utilised to reduce the accumulated losses of the Company and/or be credited to the retained earnings of the Company.

AND THAT authority be and is hereby given to the Board to do all such deeds, acts and things and execute, sign and deliver all documents for and on behalf of the Company as it may consider necessary or expedient to give effect to and implement the Proposed Capital Reduction with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or permitted by the relevant authorities or as the Board may in its discretion deem fit or expedient in the best interest of the Company."

By order of the Board

WAN INTAN IDURA BINTI WAN ISMAIL (LS0010668)
SSM Practicing Certificate No. 202408000726

SYARUZAIMI BIN YUSOF (LS0010665)
SSM Practicing Certificate No. 202408000727

Company Secretaries
Selangor
19 February 2025

Notes:

1. For the purpose of determining who shall be entitled to participate in this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the Record of Depositors as at 13 March 2025. Only a member whose name appears on this Record of Depositors shall be entitled to participate in the EGM or appoint a proxy to attend, speak and vote on his/her/its Behalf.

2. Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), and Exempt Authorised Nominees who hold ordinary shares in the Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote instead of him at the EGM, and that such proxy need not be a Member.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing, or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or its attorney duly authorised in writing.

5. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote:-

   (i) In hard copy form
   In the case of an appointment made in hard copy form, the Proxy Form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia or alternatively, to be deposited in the drop box located at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

   (ii) By electronic form
   The Proxy Form can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online. Please follow the procedures set out in the Administrative Guide for the EGM.

6. Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of the EGM will be put to vote on a poll.

PROXY FORM

pharmaniaga®

PHARMANIAGA BERHAD
Registration No. 199801011581 (467709-M))
(Incorporated in Malaysia)

No. of Shares held	CDS Account No.

I/We _____
(Full Name in Block Letters and NRIC No./Passport No./Company No.)

of _____ and _____
(Address) (Tel. No./Email Address)

being a member/members of Pharmaniaga Berhad (the "**Company**"), hereby appoint

Full Name and Address (in Block Letters)	NRIC No./Passport No.	No. of Shares	% of shareholding

*and

Full Name and Address (in Block Letters)	NRIC No./Passport No.	No. of Shares	% of shareholding

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company, to be held on Thursday, 20 March 2025 at 10.00 a.m. or at any adjournment thereof at the Royale Ballroom, Level 2, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan (**"Main Venue"**) on the following resolutions referred to in the Notice of the Extraordinary General Meeting.

Please indicate with an "X" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Ordinary Resolution 1	**For**	**Against**
Proposed Rights Issue		

Ordinary Resolution 2	**For**	**Against**
Proposed Private Placement		

Special Resolution 1	**For**	**Against**
Proposed Capital Reduction		

Signed this ..... day of ..... 20.....

.....
Signature of Shareholder(s)/ Common Seal

* Strike out whichever is not desired.

Notes:

1. If shareholders wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion 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. For the purpose of determining who shall be entitled to participate in the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors of the Company as at 13 March 2025. Only members registered in this Record of Depositors of the Company shall be entitled to participate in the EGM.

3. A member of the Company entitled to participate in the EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/ her place. A proxy may but need not be a member of the Company.

4. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two proxies to participate at the EGM. Where a member appoints more than one proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. The instrument appointing a proxy and the power of attorney or other authority (if any) inder which it is signed, should be deposited at the office of the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than 18 March 2025, at 10.00 a.m.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the EGM of the Company shall be put to vote by way of a poll.

Personal Data Privacy

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
PHARMANIAGA BERHAD
(Registration No: 199801011581 (467709-M))
C/O TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

UNIT 32-01, LEVEL 32, TOWER A,
VERTICAL BUSINESS SUITE,
AVENUE 3, BANGSAR SOUTH,
NO. 8, JALAN KERINCHI,
59200 KUALA LUMPUR

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