

SURGING AHEAD

pharmaniaga

PHARMANIAGA BERHAD 467709-M

ANNUAL REPORT 2014



PHARMANIAGA BERHAD (467709-M)
No 7, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
40000 Shah Alam
Selangor Darul Ehsan
Malaysia

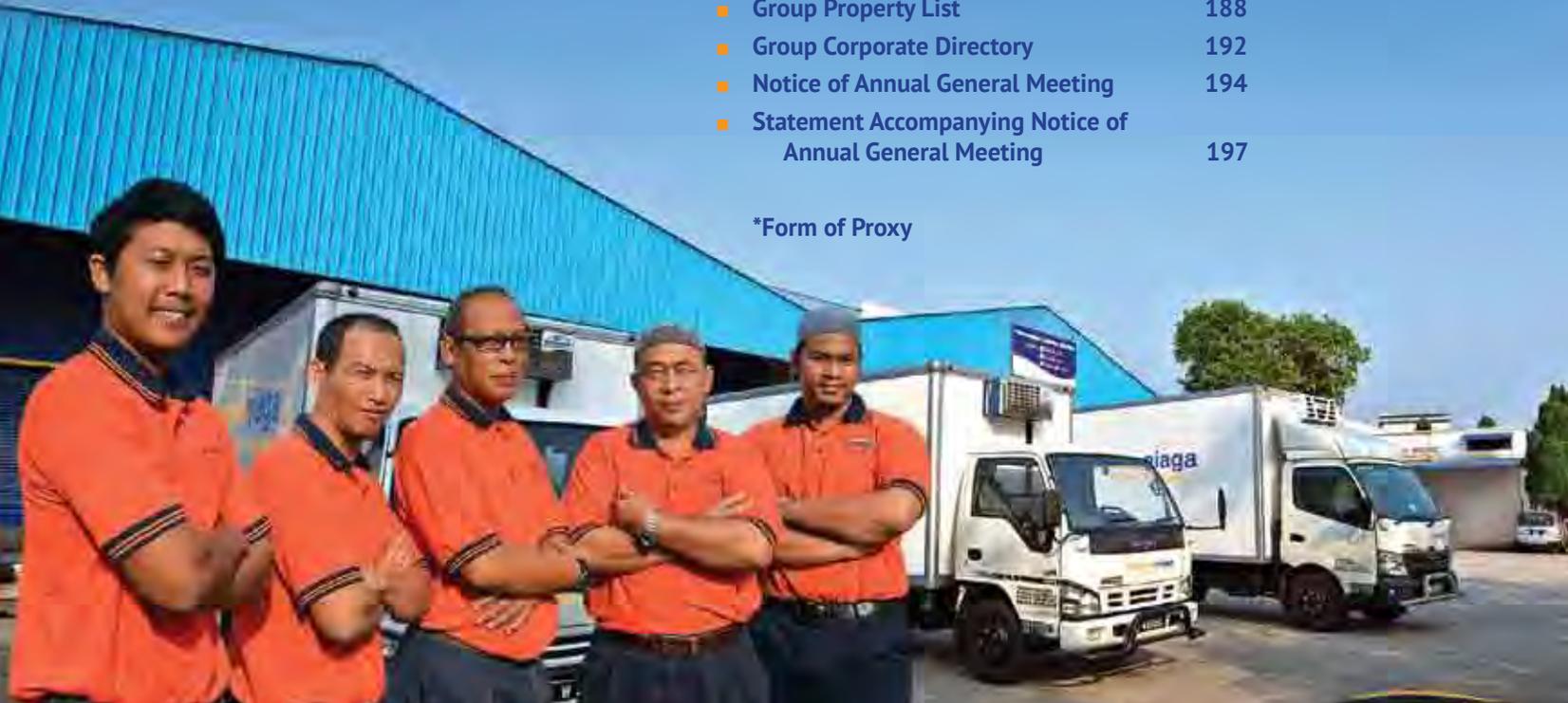
Tel : +603 3342 9999
Fax : +603 3341 7777

www.pharmaniaga.com

Inside This Report

■ At a Glance	1	■ Statement on Corporate Governance	60
■ About Pharmaniaga	2	■ Statement on Risk Management and Internal Control	72
■ Five-Year Financial Highlights	6	■ Audit Committee Report	80
■ Corporate Information	8	■ Statement of Directors' Responsibility for Preparation of Financial Statements	85
■ Financial Calendar	9	■ Financial Statements	86
■ Board of Directors	10	■ Additional Disclosures	184
■ Profile of Directors	12	■ Analysis of Shareholdings	185
■ Senior Management Team	18	■ Distribution of Shareholdings	185
■ Awards	23	■ 30 Largest Shareholders	185
■ Chairman's Statement	28	■ Substantial Shareholders	187
■ Managing Director's Review	34	■ Directors' Shareholdings	187
■ Operations Review	40	■ Group Property List	188
■ Corporate Values	52	■ Group Corporate Directory	192
		■ Notice of Annual General Meeting	194
		■ Statement Accompanying Notice of Annual General Meeting	197

*Form of Proxy



At a Glance

Revenue

RM **2.1**
BILLION

9% year-on-year growth

EBITDA

RM **191**
MILLION

12% year-on-year jump

Profit Before Tax

RM **126**
MILLION

2013 : RM 93 million

Profit After Tax

RM **94**
MILLION

6.1% dividend yield on closing price at year end

Key Developments 2014

- 75% equity acquired in PT Errita Pharma
- MS2424:2012 Halal certification for Sungai Petani and Puchong plants
- Seven new products registered
- 12 new health supplements launched under the Citrex product range
- 62 products with bioequivalence status
- Three new RoyalePharma pharmacy outlets

RATIONALE

The seamless strokes of lines on the cover embodies the interlacing elements of our key businesses, breakthrough research, compliant processes and passionate people.

We at Pharmaniaga are Surging Ahead with our commitment to ensuring swift delivery of our products and services to customers everywhere!

Acquisition

RM **74**
MILLION

Completed on
18 February 2014

Total Assets

RM **1.2**
BILLION

12% growth year-on-year

Employees

2,972

Total workforce

Dividend

28
SEN

2013: 16 sen

About Pharmaniaga

Pharmaniaga Berhad, one of the largest integrated local healthcare companies in Malaysia, is a public listed company on the main market of the Bursa Malaysia Securities Berhad. Pharmaniaga's principal activities include manufacturing of generic pharmaceuticals, logistics & distribution, sales & marketing, supply of medical products & services including hospital equipment and community pharmacy.

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

Committed to enriching life together, Pharmaniaga is driven by its passion for patients and guided by its philosophy of doing business with conscience in its journey towards becoming a global total integrated healthcare solutions provider.



Our Vision

The preferred pharmaceutical brand in regional markets

Our Mission

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

Our Core Values

- Respect
- Integrity
- Teamwork
- Excellence





**DEVELOPMENT
THROUGH
DISCOVERY**

With a focus towards innovation, our research and development teams continue to push boundaries to create breakthrough pharmaceutical products using leading science and technological platforms.

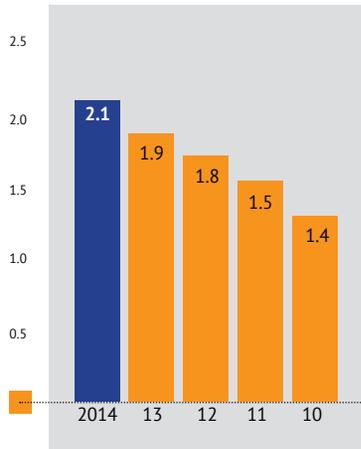


All figures are in RM Million unless otherwise stated

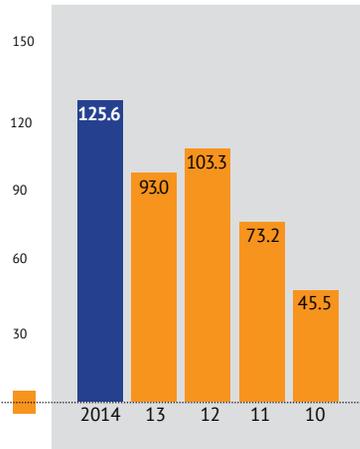
		2014	2013	2012	2011	2010
FINANCIAL PERFORMANCE						
Revenue		2,122.9	1,946.6	1,812.3	1,521.0	1,378.3
Profit before taxation		125.6	93.0	103.3	73.2	45.5
Profit after taxation		94.2	56.8	63.2	52.8	30.3
Net attributable profit		93.8	55.2	61.7	52.2	30.4
Earnings per share	sen	36.2	21.3	23.8	20.2	11.7
Return on equity	%	18.5	11.5	13.2	11.8	7.1
Return on assets	%	12.0	9.2	10.0	8.0	6.1
Return on revenue	%	6.6	5.5	6.5	5.1	3.6
DIVIDENDS						
Dividend payout	%	77.2	75.1	66.8	61.1	26.3
Dividend payment		72.5	41.5	41.2	31.9	8.0
Net dividend per share	sen	28.0	16.0	15.9	12.3	3.1
Dividend yield	%	6.1	3.6	4.3	4.7	1.4
Dividend cover	times	1.3	1.3	1.5	1.6	3.8
GEARING						
Borrowings		201.1	199.9	341.0	188.3	33.1
Gearing	times	0.4	0.4	0.7	0.4	0.1
Interest cover	times	8.4	7.3	7.9	18.6	12.2
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	203	188	182	180	163
Price earning ratio	times	12.6	20.9	15.4	13.3	21.1
Paid up share capital		129.4	129.4	117.7	117.7	107.0
Shareholders' equity		526.5	487.6	472.0	466.0	421.6
Total equity		552.0	503.3	487.9	481.7	437.0
Total assets		1,242.7	1,111.1	1,222.8	1,133.5	801.9

FIVE-YEAR FINANCIAL HIGHLIGHTS

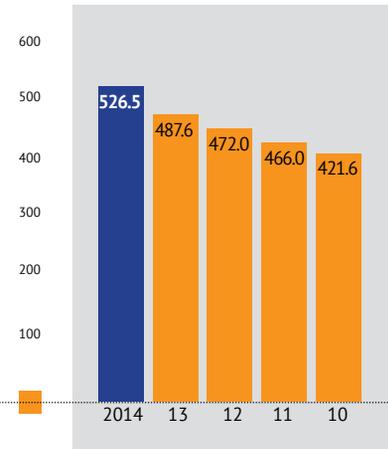
REVENUE
(RM billion)



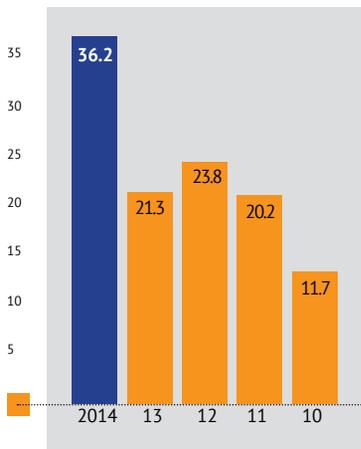
PROFIT BEFORE TAXATION
(RM million)



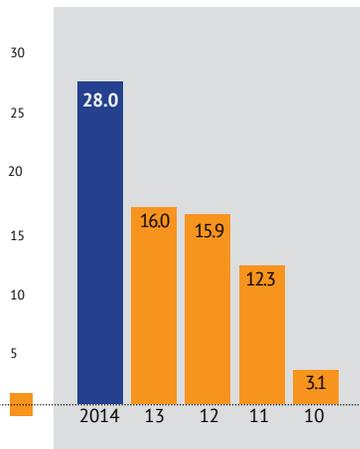
SHAREHOLDERS' EQUITY
(RM million)



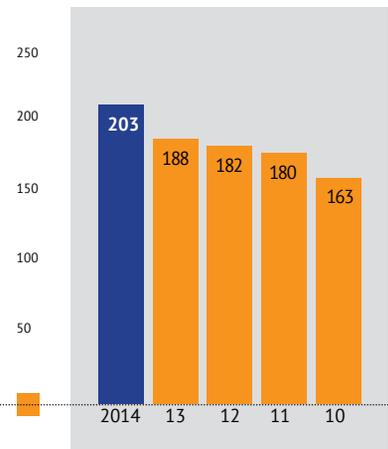
EARNINGS PER SHARE
(sen)



NET DIVIDEND PER SHARE
(sen)



NET ASSETS PER SHARE
(sen)



BOARD OF DIRECTORS

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

Dato' Farshila Emran
Managing Director

Daniel Ebinesan
Non-Independent Non-Executive Director

Mohd Suffian Haji Haron
Senior Independent Non-Executive Director

Izzat Othman
Independent Non-Executive Director

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

COMPANY SECRETARY

Tasneem Mohd Dahalan (LS 0006966)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market - Trading/Services

REGISTERED ADDRESS

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

BUSINESS ADDRESS

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

PRINCIPAL BANKERS

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

AUDITORS

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

SHARE REGISTRAR

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

CORPORATE INFORMATION

ANNUAL REPORT

Issued
9 March 2015

FINANCIAL YEAR

1 January to
31 December 2014

ANNUAL GENERAL MEETING

To be held
31 March 2015

RESULTS

First quarter

Announced
14 May 2014

Second quarter

Announced
21 August 2014

Third quarter

Announced
21 November 2014

Fourth quarter

Announced
23 February 2015

DIVIDENDS

First interim

Announced
14 May 2014

Entitlement date
2 June 2014

Payment date
16 June 2014

Second interim

Announced
21 August 2014

Entitlement date
9 September 2014

Payment date
24 September 2014

Third interim

Announced
21 November 2014

Entitlement date
9 December 2014

Payment date
30 December 2014

Fourth interim

Announced
23 February 2015

Entitlement date
11 March 2015

Payment date
26 March 2015

FINANCIAL CALENDAR



Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman



Dato' Farshila Emran
Managing Director

BOARD OF DIRECTORS



Daniel Ebinesan

Mohd Suffian Haji Haron

Izzat Othman

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



TAN SRI DATO' SERI LODIN WOK KAMARUDDIN Chairman

Non-Independent
Non-Executive Director

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

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

Presently, Tan Sri Dato' Seri Lodin is the Chief Executive of Lembaga Tabung Angkatan Tentera and Deputy Chairman/ Group Managing Director of Boustead Holdings Berhad (BHB). He is also the Chairman of Boustead Heavy Industries Corporation Berhad (BHIC) and 1Malaysia Development Berhad. In addition, he is the Deputy Chairman of Affin Holdings Berhad and Vice Chairman of Boustead Plantations Berhad (BPB).

He also holds directorships in UAC Berhad, MHS Aviation Berhad, FIDE Forum, Minority Shareholder Watchdog Group, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and AXA Affin Life Insurance Berhad. BHB, BHIC, BPB and Affin Holdings Berhad are public listed companies in Malaysia.

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

DATO' FARSHILA EMRAN
Managing Director



Dato' Farshila Emran, Malaysian, forty nine years of age, was appointed to the Board of Pharmaniaga Berhad on 25 March 2011, and was appointed as the Managing Director on 13 April 2011. She sits on the boards of several subsidiaries of Pharmaniaga Berhad, notably Pharmaniaga Logistics Sdn Bhd, Pharmaniaga Manufacturing Berhad, Pharmaniaga LifeScience Sdn Bhd and PT Errita Pharma.

Dato' Farshila was an Assistant Representative of SEVES Sediver France from 1990 to 1995, a public listed high voltage transmission line equipment company in France. She was then made a Representative of that company for Malaysia until 2001. Dato' Farshila later founded Idaman Pharma Manufacturing Sdn Bhd.

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

On personal level, Dato' Farshila has won many awards including the 2013 MBA Industry Excellence Award – Health Services by The ASEAN Business Advisory Council Malaysia and the *Anugerah Kesatria Puteri Korporat*, which she received in 2012 for her active role in Women Directors' Programme, an initiative of the Ministry of Women, Family and Community Development, Malaysia. Further demonstrating her commitment in the Women Directors' Programme, Dato' Farshila also contributes as a member of the advisory committee for women in business under the Federation of Malaysian Manufacturers as well as the National Association of Women Entrepreneurs of Malaysia.

At Pharmaniaga, Dato' Farshila continues to champion the employees' welfare as she believes remuneration and benefits help promote a productive working team. The HR Asia Best Companies to Work for in Asia Award and the M100 Best Employer Award which Pharmaniaga won in 2014 demonstrates her commitment, relentless passion and excellent leadership.





DANIEL EBINESAN

Non-Independent
Non-Executive Director

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

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

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

He has been a member of the Board of Trustees of *Kumpulan Wang Simpanan Kakitangan Estet Malaysia* since 1996 and has served as Chairman of the Board of Malaysian Care from November 1988 to March 2011. Presently, he sits on the boards of several subsidiaries within the Boustead Group.

MOHD SUFFIAN HAJI HARON
Senior-Independent
Non-Executive Director



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

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

Mohd Suffian obtained his Bachelor of Economics from University Malaya in 1970 and Master of Business Administration in 1976 from the University of Oregon, United States of America.

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





IZZAT OTHMAN

Independent
Non-Executive Director

Izzat Othman, Malaysian, fifty four years of age, was appointed as an Independent Non-Executive Director to the Board of Pharmaniaga Berhad on 25 March 2011. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He is a lawyer by profession and is a partner of the law firm of Messrs. Azzat & Izzat.

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

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

He sits on the boards of several subsidiaries of Pharmaniaga Berhad notably Pharmaniaga Logistics Sdn Bhd, Pharmaniaga International Corporation Sdn Bhd, PT Millennium Pharmacon International Tbk and PT Errita Pharma, the latter of which Izzat is the Chairman.

**LIEUTENANT GENERAL DATO' SERI PANGLIMA
DR SULAIMAN ABDULLAH (Retired)**
Independent
Non-Executive Director



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

He started his career as Medical Officer with the Ministry of Defence and has served the Malaysian Armed Forces for more than 29 years. His last appointment with the Malaysian Armed Forces was as the Director General of Malaysian Armed Forces Health Services.

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

He has vast experience in the management and supervision of Malaysian Armed Forces Health Services all over Malaysia. He was also involved in the supervision for the development of Hospital Angkatan Tentera Tuanku Mizan.



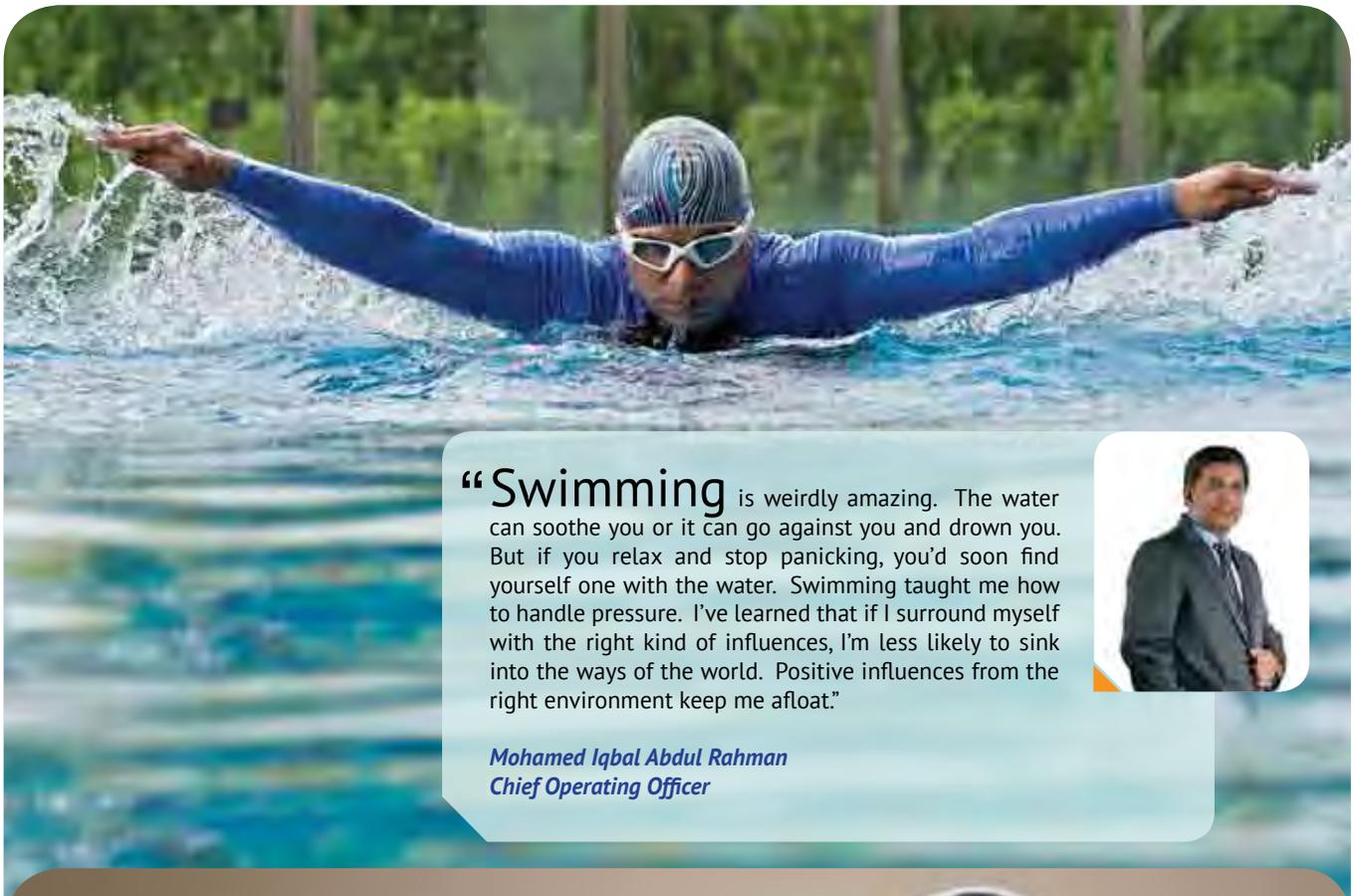
SENIOR MANAGEMENT TEAM



“Marksmanship

is something that ignites my passion while being an excellent relief from the daily grind. As I take my aim, everything else fades away while I focus on myself, the firearm and my mark. There is a powerful feeling in being able to handle a firearm well and it is a responsibility that I do not take lightly, much like my accountability as a leader. Marksmanship, like leadership, truly is all about practice, patience and experiment with minimal margin for error”

*Dato' Farshila Emran
Managing Director*



“Swimming is weirdly amazing. The water can soothe you or it can go against you and drown you. But if you relax and stop panicking, you’d soon find yourself one with the water. Swimming taught me how to handle pressure. I’ve learned that if I surround myself with the right kind of influences, I’m less likely to sink into the ways of the world. Positive influences from the right environment keep me afloat.”



***Mohamed Iqbal Abdul Rahman**
Chief Operating Officer*

“Strategy is nothing without patience. We always want fast results, but critical thinking is important to ensure all risks are calculated. Strategising will take time and require patience, but teamwork, born out of a well-thought-out strategy will ensure we get what we aim for. Chess taught me well.”

***Norai’ni Mohamed Ali**
Chief Financial Officer*





“What we sow today echoes in the future. We have to make the first move. We should never stop and wait for the harvest. When we continually sow, our harvest comes back to us in many ways. It is a cycle of blessing in motion. It is very important to understand what we want to reap in the future. If you need love, then love others. The kind of harvest you need determines the kind of seed you sow.”

*Datin Shamsinar Hj Shaari
Technical Director*



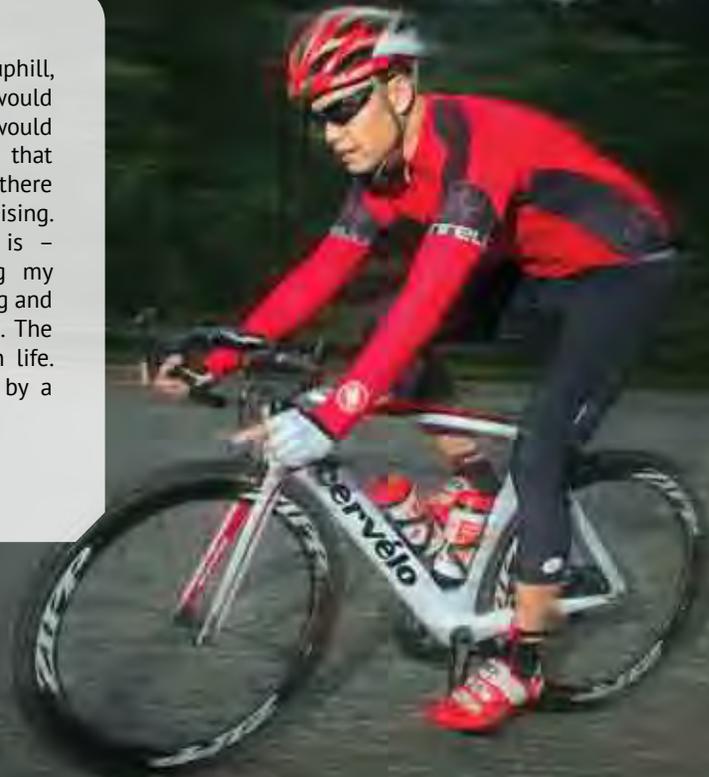
“I know what my aim is. I know my tools too. The club is made of exotic material like titanium. It has the right shaft length and heel angle. My aim may be far. But I am willing to take the chance, because as long as I know I have the right tool, I am determined.”

*Abdul Malik Mohamed
Logistics & Distribution Director*



“Every time I see an uphill, I see a struggle. My lungs would scream for oxygen. My legs would beg for mercy. But I know that after an uphill pedalling, there can only be a downhill cruising. That’s where the reward is – rolling fast while relaxing my muscles, easing my breathing and enjoying the wind in my face. The same principle is shared in life. Every struggle is followed by a satisfying reward.”

*Zulhazri Razali
Commercial Director*



“When I am on a race track, I am not racing against others. I am racing against myself. I love to push myself to the limits. I love the adrenaline rush that comes with it. Driving on a race track has taught me a lot of things about speed, braking and hitting the apex – the same principles I apply at the office – how to surge forward with ideas, when to hold them back and where to hit them.”

*Sharifah Fauziyah Syed Mohthar
Regulatory Affairs Director*



“ I learned from archery to clearly see not only the target I want the arrow to hit, but also the external factors that could affect hitting the target such as wind, distance and my own pulling force. In life and business, not only must I first clearly identify the goal, but I must also consider all the external factors that will affect my efforts and adjust accordingly before I make my shot.”

Elias Effendy
Business Development Director



“**Motif** is the main expressive element in *batik* design. The motif not only makes the textile attractive, but also determines the features and functions of a certain fabric. Every individual design triggers my creative inspiration and I approach my working team much the same way. Every team member is expressively unique, thus I ensure they contribute and complement each other to produce an excellent fabric of success.”

Norshilla Nazruddin
Corporate Services Director





AWARDS

Winner of the
**“Industry Class in
Pharmaceutical”**
– Selangor Excellence
Business Awards 2014

Winner of the
**“Best Companies to Work for
in Asia Awards 2014”**
– HR trade journal, HR Asia

Winner of the
**“Malaysia’s Top 100 Leading
Graduate Employers”**
– Malaysian Graduate
Barometer



THE SUCCESSORS



These are the prime movers who continue to raise our performance, leading to improvements in pharmaceutical services and positioning Pharmaniaga as a relevant participant of the industry.



**SHAPING A
HEALTHIER
SOCIETY**



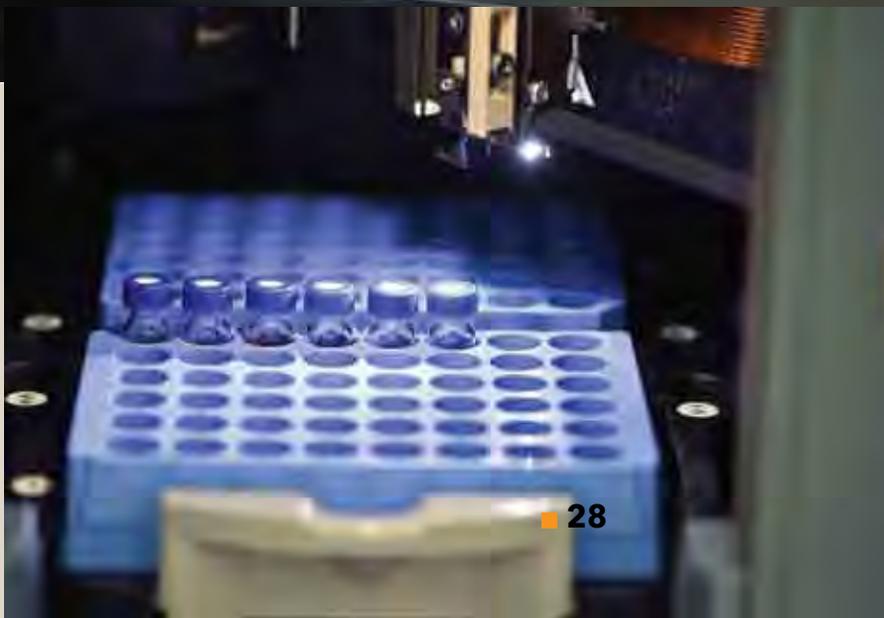
The way our health services are delivered is constantly enhanced to ensure that we can provide the highest quality care today and tomorrow.



Dear Shareholder,

The year 2014 was an excellent one for Pharmaniaga Berhad (Pharmaniaga) as we scaled up our business operations and strengthened our position as a leader in the pharmaceutical sector, both in Malaysia and regionally. We delivered a strong performance with a profit before tax of RM126 million compared with RM93 million last year, a significant 35% increase.

As a result of our efforts to boost our earnings growth as well as optimise costs and improve operational efficiency, we successfully maintained our growth momentum. On this note, I am pleased to present to you our annual report for the year ended 31 December 2014.





■ TAN SRI DATO' SERI LODIN
WOK KAMARUDDIN
Chairman

CHAIRMAN'S STATEMENT

ECONOMIC LANDSCAPE

Due to aging population and the rise of chronic diseases, the global pharmaceutical industry experienced favourable growth in 2014. This was further supported by healthcare reforms and technological advancements, particularly in emerging markets.

In Malaysia, the pharmaceutical sector continues to experience steady market growth on the back of increasing urbanisation and growing affluence in the expanding middle class. The prevalence of non-communicable diseases has also spurred demand for healthcare services throughout the nation.

In order to capitalise on the inherent prospects of the industry, the Government has identified the healthcare sector as one of the key drivers of the economy, with a focus on public healthcare infrastructure, research and development, generic drugs and medical tourism. Further to this, a significant amount was allocated in Budget 2015 to provide quality health services and facilities for the nation. This certainly bodes well for the Group as we strive to expand our capabilities and tap into new opportunities.

FINANCIAL PERFORMANCE

In line with our drive to strengthen our core businesses, the Group delivered a higher revenue of RM2.1 billion for our financial year ended 31 December 2014. This reflects a 9% increase from RM1.9 billion in the previous year, largely due to higher contributions from the public and private sectors.

In tandem with this, we recorded a profit after tax of RM94 million, a 66% jump from RM57 million in the last financial year. This growth stems from increased demand from both the concession and private businesses as well as lower provision for doubtful debts.

Meanwhile, earnings per share rose to 36 sen in the year under review (2013: 21 sen), while net assets per share was at RM2.03 (2013: RM1.88). Shareholders' funds stood at RM527 million for the year ended 31 December 2014 compared with RM488 million in the previous financial year.

“We have plans in the pipeline to expand our product portfolio via our dedicated research and development efforts.”





DIVIDEND

As a result of the Group's remarkable performance during the year, the Board of Directors declared a fourth interim dividend of 12 sen per share which will be paid on 26 March 2015, bringing total net dividend per share for the year to 28 sen. This translates to a dividend payout ratio of 77% and a dividend yield of 6.1% based on the closing price for the financial year.

HUMAN CAPITAL

The mark of a good company is its ability to identify and build a leadership pipeline to ensure business continuity. We are ever mindful that the development of our human capital is paramount to driving not only our present growth but also our future progress. On this note, we place great importance on our succession planning programme as we take a farsighted approach to nurturing our handpicked team of highly motivated and performance driven individuals who will ultimately helm the Group.

Revenue
RM **2.1**
BILLION

Profit
After Tax
RM **94**
MILLION



On our journey up the value chain, we continue to shape and enhance our existing workforce through a range of talent development and training programmes. Testament to our strong employee engagement and ongoing efforts to implement good workplace practices, Pharmaniaga received HR Asia Best Companies to Work for in Asia 2014 Award and M100 Best Employer Award.

A demonstration of Pharmaniaga's appeal among job-seekers, we received over 1,000 job applications during the BN Youth Career Fair 2014, held in Putrajaya.

COMMUNITY OUTREACH

In view of the devastating flood situation in east coast of Malaysia, Pharmaniaga has taken drastic steps to ensure that the supplies of medicines to affected areas are not interrupted. Our efforts include using helicopters to enable the medicines to be delivered even in times of disaster.

Pharmaniaga has also helped to contribute at the international level. To ease the burden of the people of Gaza who were under attack, we have contributed medical aid in the form of medicines and medical devices worth RM600,000. This aid is to help the people of Gaza who are seeking treatment as a result of the war that is plaguing them.

OUTLOOK

At a time when consumer spending is moderated by rising costs of living, healthcare remains a high priority. Despite a volatile global economic climate, the pharmaceutical sector is relatively resilient due to increasing public awareness coupled with greater access to healthcare. As we move forward, the Group will continue delivering value to our shareholders by leveraging on the prospects of this highly lucrative industry.

As we pass the halfway mark of our 10-year Concession Agreement with the Ministry of Health (MOH), we remain committed to delivering a high level of service. With a view to providing quality healthcare products and health related services to both the public and private sector, we have plans in the pipeline to expand our product portfolio via our dedicated research and development efforts. In tandem with this, we intend to step up our manufacturing capabilities in order to cater to rising demand.

As we strengthen our presence domestically, we also look to expand beyond Malaysian borders. In Indonesia, we successfully completed the acquisition of 75% equity interest in PT Errita Pharma for RM74 million in 2014. PT Errita Pharma is a generic pharmaceutical manufacturing company located in Bandung, Indonesia. This corporate exercise will enable the Group to tap into the Indonesian market and develop an effective manufacturing channel for our range of products, allowing us to capitalise on the inherent prospects in the country. The acquisition will also complement the marketing and distribution business of our distribution subsidiary in Indonesia, PT Millennium Pharmacon Tbk, allowing us to command greater market share.

Clearly, there are vast opportunities in the industry that will propel the Group on our growth path. As we focus on developing our core businesses, a key element of our success is that we are part of the Boustead Group, enabling Pharmaniaga to leverage on the strength of its parent company. We look forward to a bright future ahead as we continue to move up the pharmaceutical value chain.

ACKNOWLEDGEMENT

As we surge ahead in 2015 to solidify our position in the pharmaceutical industry, I would like to express my appreciation and heartfelt gratitude to the Board of Directors for their steadfast commitment in driving the growth and success of Pharmaniaga.



Furthermore, our remarkable performance would not have been possible if not for the valuable contributions of our employees, who have been constant in their dedication to achieve the goals and aspirations of the Group.

Equally important is our key client, MOH as well as our other customers, suppliers, partners and bankers, whose much needed support has been instrumental in our growth. In addition, given that we operate in a highly regulated sector, we would also like to thank the relevant Government bodies and authorities in Malaysia for the trust and confidence they have placed in Pharmaniaga.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman