Dear Shareholder,

In helming Pharmaniaga Berhad over the last four years, it has been a pleasure to see the Group flourish. As we reflect on 2014, I am glad to note that the Group delivered an exceptional performance for the year under review. Further details of the Group's results and achievements as well as our outlook for the next financial year are presented herein.

DATO' FARSHILA EMRAN
Managing Director

MANAGING DIRECTOR'S REVIEW

FINANCIAL PERFORMANCE

The Group delivered a strong year of growth with a profit before tax of RM126 million which I am pleased to note was the highest profit ever achieved in Pharmaniaga's 17-year history. This represents a 35% leap compared with the previous financial year, due to a higher contribution to the bottom line from our two key divisions.

These results were achieved on the back of a turnover of RM2.1 billion, a 9% increase from last year's results, primarily due to higher contributions from both the public and private sectors.

Delivering Shareholder Value

As a result of our record earnings in 2014, earnings per share grew to 36 sen, up by 70% from the previous year. The Group also aims to generate higher return on capital from our portfolio of businesses. On this score and as a result of the excellent performance for 2014, return on equity was 18.5%, an increase compared with last year.

Our headline Key Performance Indicators are as follows:

KPI	2014	2013
Return on Equity	18.5%	11.5%
Return on Assets	12.0%	9.2%
Net Dividend per share	28.0 sen	16.0 sen
Delivery Lead Time	> 99%	> 99%

Strong Growth

The Logistics and Distribution Division delivered a profit before tax of RM40 million in comparison with RM21 million recorded in the previous year. The increase was attributable to stronger contributions from the concession and non-concession businesses.

The concession business remains a top priority for the Group, contributing 58% to our revenue amounting to RM1.24 billion (2013: RM1.12 billion). As a result of our ongoing drive to excel in our service levels, we successfully achieved our goal of consistent compliance to the Concession Agreement (CA) Performance Standards. Amongst the key efficiency levels that have been maintained are:

- Order fulfilment and delivery performance in excess of 99%; and
- Order processing and invoicing processes completed within 24 hours.

We focus on offering value added services and service improvements as well as building trust and rapport with our clients. At the same time, we remain committed to exceeding customer expectations as we deliver a high standard of services in compliance with the CA Performance Standards.

The Group undertook several strategic initiatives to lay the foundation for the long term growth of our market share, particularly in the private sector. This included the aggressive introduction of new products and promotions as well as enhancement of our Sales Incentive Programme to motivate our sales representatives.

As part of our ongoing efforts to reduce our reliance on concession income, we heightened our focus on non-concession sector initiatives in 2014. The implementation of focused and structured marketing initiatives, including event participation, event sponsorship and one-to-one marketing, resulted in significant sales growth in these market segments. Increased awareness of Pharmaniaga products among private sector customers contributed to sales as well as to the overall development of our brand equity in the marketplace.

Meanwhile, our Manufacturing Division recorded an improved profit of RM86 million compared with RM72 million in the previous year. These strong results were primarily due to increase in sales as well as our ongoing cost optimisation programme which has been implemented across all our manufacturing sites. In line with our growth plans, we have scaled up the manufacturing capabilities and capacity at our plants in Malaysia and Indonesia.

We are mindful that our research and development efforts are a vital pillar of growth for the Group. In line with this, we streamlined our product development team for greater efficiency and have appointed key personnel to support this effort. Our dedicated team of professionals aim to produce 200 new products by 2020. This is part of our aspirations to maintain market dominance in Malaysia's generic pharmaceutical industry as well as to make inroads into ASEAN and other regional markets such as the Middle East and North African (MENA) region and Europe.

With a view to strengthening our manufacturing processes and ensuring the high quality of our products, we have undertaken Halal and ISO certification programmes for three of our manufacturing plants, namely Sungai Petani, Seri Iskandar and Puchong. Upon completion of these programmes, these plants will be fully accredited with Halal Certification and Quality, Environmental, Occupational Health & Safety management systems.

In our pursuit to maintain leadership within the industry, we see to it that our local operations are enhanced, providing us with a solid foundation to venture into new markets. With this in mind, two additional sites, Bangi and Seri Iskandar are in the process of attaining European Union Good Manufacturing Practice certification. This will enable us to tap into the inherent prospects of the European market. We are evaluating opportunities for contract manufacturing services and partnerships for product localisation with a number of multinational companies.

Our expansion into the community pharmacy segment is progressing well, with our RoyalePharma Pharmacy establishing outlets in several new locations.

We have evolved the concept of this business segment to position RoyalePharma as a community based pharmacy, which includes Type A licensed pharmacists at each outlet. This has been well received thus far and we are building on the Group's existing expertise in the pharmaceutical industry.

BACK TO BASICS

One of the humanitarian efforts undertaken by Pharmaniaga was the relief efforts for the devastating floods that affected Malaysia. The destruction to property and the hardship faced by the flood victims moved us greatly, but the feelings were all consoled by the act of kindness shown by all the staff of Pharmaniaga. Other than making personal contributions, some were courageous enough to volunteer themselves and be stationed at the ground of disaster. Their willingness to live with only basic necessities just to serve the victims is an act that deserves compliments.

In preparing for the month of *Ramadan* in anticipation of low blood supply at National Blood Bank, Pharmaniaga organised a blood donation drive themed You're Somebody's Type. As blood cannot be commercially supplied, this drive was an ideal way to assist the blood bank in ensuring continuous supply to the needy hospitals.

"We will seek opportunities to expand the distribution network of our community pharmacy business."

Towards the end of the year, Pharmaniaga launched the Do It Right campaign to instil the importance of going back to basics in terms of improving compliance. The campaign will continue into 2015 and I hope that through the messages, all staff will have the right attitude to do the right thing in the right way.

A POSITIVE OUTLOOK

I look forward to the coming year with great zeal given the bright prospects for the pharmaceutical industry and as we move into the year ahead we are confident we would be able to capitalise on these opportunities.

In the consumer healthcare market, our proprietary Citrex brand is a key driver of growth in the health supplements segment. This momentum will continue in 2015 as we focus on expanding the brand's product range.

We will maintain the strategy to strengthen our presence in the generic business, providing quality offerings particularly via our therapeutic range for haematology and oncology, amongst others. We also aim to refresh our existing products in primary and specialty care in order to solidify our market leadership in these segments.

Meanwhile, we will seek opportunities to expand the distribution network of our community pharmacy business. We plan to open RoyalePharma Pharmacy outlets in additional strategic locations in order to cater to growing market demand. We also intend to enhance value for our customers by providing additional health related services, including medication management, consultation as well as health and wellness education.

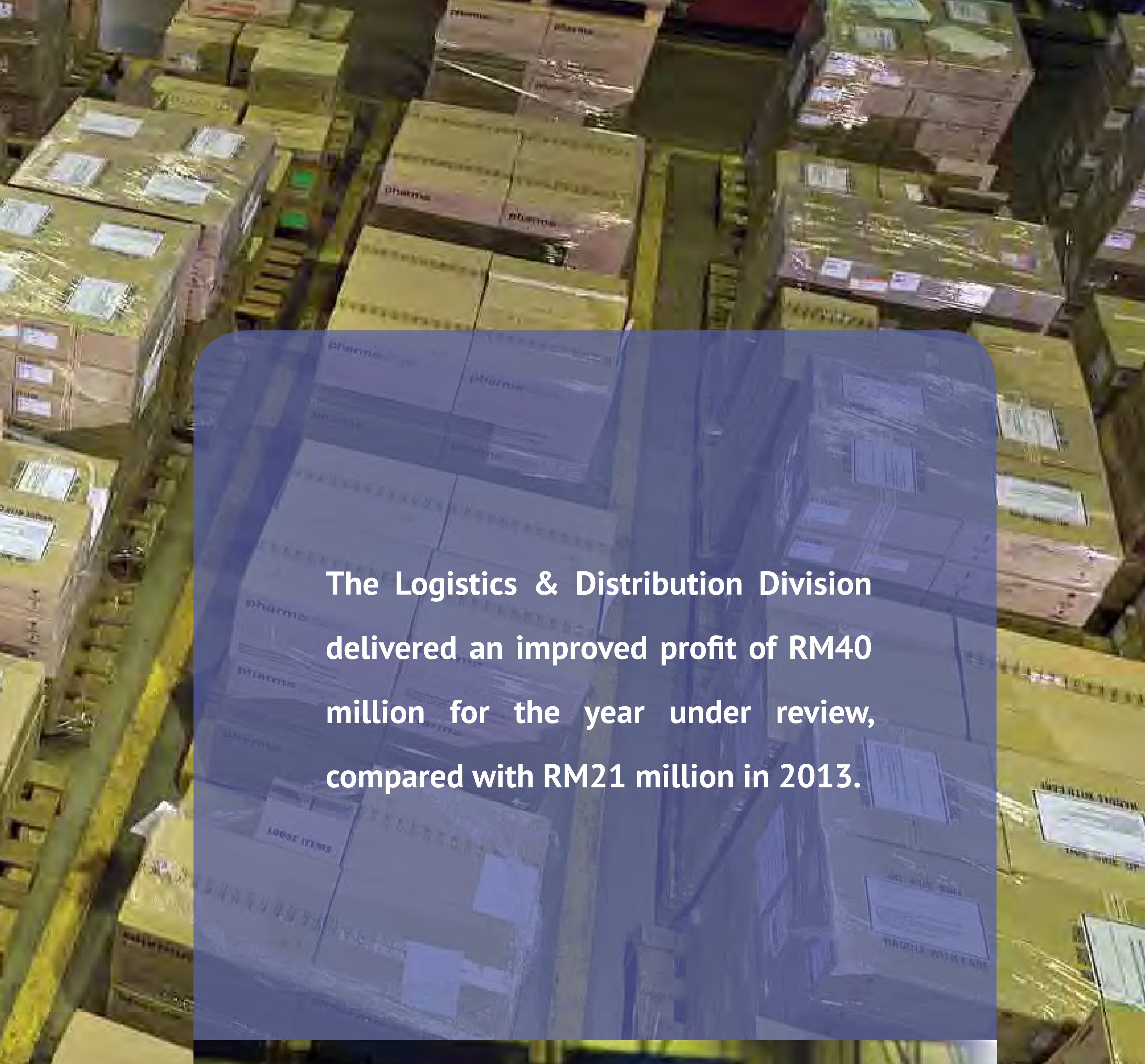
As we build on our momentum and seize new opportunities, we are confident that we will be able to achieve our organic growth plans. We hope you will find the following review of our two key divisions informative. As the Group moves forward, we will develop our business as a responsible and forward looking corporate citizen in line with our philosophy of Passion for Patients which is demonstrated via our corporate responsibility initiatives detailed herein. We assure our shareholders that we will maintain our focus on sustaining growth by tapping into viable prospects in the healthcare industry to deliver strong results.

I would like to express my sincere appreciation to the Board of Directors for providing me with the opportunity to steer the Group in its journey of growth.

Our achievements and continued development would not be possible without the collective efforts of many. I would like to extend my utmost appreciation to our Managementteam and employees for their valuable contributions and dedication to the growth of the Group. Our sincere gratitude also goes to our loyal customers, suppliers, business partners, shareholders and relevant approving authorities for their support.

DATO' FARSHILA EMRAN
Managing Director

LOGISTICS & DISTRIBUTION DIVISION



The Logistics & Distribution Division delivered an improved profit of RM40 million for the year under review, compared with RM21 million in 2013.

"We received an average rating of 91.8% in the 'excellent' and 'good' range from survey respondents, which is certainly testament to our strong service levels."

MALAYSIA

The Concession Agreement (CA) with the Ministry of Health (MOH) is the pillar of growth for the Division. The MOH concession revenue grew to RM1.24 billion amounting to 58% of the Group's revenue compared with RM1.12 billion in the last financial year.

We are staunchly committed to maintaining our order fulfilment standards to meet the needs of our customers. Over the last two consecutive years, we have successfully achieved an order fulfilment of over 99% and we are dedicated to upholding this high standard.

Customer satisfaction is of utmost priority for the Group and we are driven to deliver the best level of service. Over 88% of incoming calls are answered within 15 seconds or 3 rings at our Customer Care Call Centre.

As part of our commitment to service excellence, we are cognisant of the importance of keeping a pulse on customers' needs in order to remain relevant and strengthen customer relationships. We held a total of 16 dialogue sessions with *Jabatan Kesihatan Negeri* to discuss concession related matters.

We also conducted Customer Satisfaction Surveys and received an average rating of 91.8% in the 'excellent' and 'good' range from survey respondents, which is certainly testament to our strong service levels. We organised one survey for our public sector customers in 2014, for which the majority of ratings also indicated high level of satisfaction.

In addition, the Group successfully received Good Distribution Practice for Medical Devices certification, demonstrating our high level of adherence to regulatory requirements.

As our concession business grows, we focus on strengthening other segments of the Group in order to ensure that we are able to develop further and build our presence in the pharmaceutical industry. As a result of our growth strategy, our non-concession business delivered improved results in 2014, with a revenue of RM469 million compared with RM415 million in the previous year.

We have taken steps to broaden our portfolio of products, with a current total of 481 products todate. Our consumer healthcare range is progressing with a strong focus on our Citrex range of products. We successfully launched 12 new health supplements in this range, comprising lifestyle, slimming and general health products.

With a view to reinforce our presence in the generic business, we introduced new products in our primary care range such as Aspira for treatment of asthma and Atopshield for atopic dermatitis. In the speciality care segment, Zithrolide and Glumet XR are performing well in the market and have strengthened our anti-infective and diabetic range respectively.

As part of our long term expansion plans, we have taken steps to tap into the haematology segment and oncology therapeutic range which are industry growth drivers. In the haematology segment, we formed a partnership with global industry leader Octapharm-Switzerland and launched several niche products such as Octanate, Rhesonativ and Octaplex. Todate, in the blood product group, we have registered 14 such products from the partnership.

We successfully obtained approval for the registration of seven new products in 2014 including antitussive and hypertensive medications and products utilised in conjunction with chemotherapy treatment. We also submitted additional applications for 17 products, along with collaborating with other industry leaders for therapeutic ranges in oncology, respiratory, new generation anti-infectives, amongst others.

We made progress in the community pharmacy sector as we launched new outlets of our RoyalePharma Pharmacy. Situated in strategic locations in Selangor, Penang and Perak, these additional outlets enable us to tap into growing consumer demand for quality pharmacy services.

INTERNATIONAL MARKETS

In tandem with the development of our core business segments in Malaysia, we are focused on expanding our international presence in the growing global healthcare industry.

Our Indonesian operations performed well with our listed subsidiary PT Millennium Pharmacon International Tbk (MPI) recording growth in revenue by 10% against last year. This was achieved despite tough market conditions and new developments in Indonesia's healthcare industry.

With the rollout of the Indonesian Healthcare Insurance System in 2014, government hospitals, clinics and health centres are required to utilise generic medicines rather than branded generics. This had an impact on MPI as our main principals are primarily focused on sales of branded generics.

In addition, we experienced a 50% increase in interest rates during the year, the volatility of fuel prices and also the upward revision of remuneration packages which is in line with the higher minimum wage policy in Indonesia. However, MPI's ongoing cost optimisation measures helped to mitigate the impact of these external factors.

"We will continue to take steps to integrate our operations and optimise performance by achieving economies of scale and business synergies."

As part of our ongoing efforts to boost efficiency across our operations, MPI is pursuing Good Distribution Practice certification and todate, two of our branches in Jakarta have received certification while the rest are expected to be certified by 2015.

In 2014, MPI successfully commenced distribution of products from PT Errita Pharma, our generic pharmaceutical manufacturing facility and PT Mega Pharmaniaga, our sales and marketing arm in Indonesia. This is indeed a positive development for our strategic growth plans as we strive to complete the entire industry value chain. We will continue to take steps to integrate our operations and optimise performance by achieving economies of scale and business synergies.

MPI was awarded TRACE certification, further reinforcing our compliance with international anti-bribery regulations. TRACE is a non-profit business association that pools resources to provide members with anti-bribery compliance support. Subsequently, the Ministry of Health and *Badan Pengkajian dan Penerapan Teknologi Indonesia* issued a *Pedagang Besar Farmasi* license for our 30th branch in Tasik Malaya which allows commencement of business operations.

As part of our efforts to widen our global footprint, we expanded our international product portfolio. Along with registering a new product in Indonesia, we registered four new products in Brunei, one product in Hong Kong and one product in Vietnam. In total, we have 186 approved registrations in 11 countries worldwide, comprising seven ASEAN nations as well as Macau, Hong Kong and Sri Lanka. We aim to obtain additional approvals and towards this end we have submitted 18 applications for registration of new products in Brunei, Singapore and Hong Kong.

MANUFACTURING DIVISION

The Manufacturing Division performed well, recording a strong profit of RM86 million compared with RM72 million in the last financial year.

"The Group's R&D initiatives are fundamental in propelling our growth and enable us to maintain our competitive advantages particularly from a development perspective."

OUR PLANTS

As part of our growth plans, we are committed to increasing our manufacturing capabilities and enhancing efficiencies. We successfully completed the sterile penicillin powder injectable line at our Seri Iskandar plant which is now certified and equipped to release a commercial batch by second half of 2015. We have also expanded our product pipeline at our Puchong plant which is fully certified to produce aseptically manufactured products.

We purchased new equipment such as compression and tablet coating machines in order to increase our manufacturing capacity for oral solid dosage lines at our Bangi and Sungai Petani plants.

We provide a wide range of products for the Indonesian market via our Bandung plant including tablets, capsules, syrup, cream and lotion. The newly refurbished and upgraded penicillin plant was qualified and commenced production of commercial batches in the second half of 2014.

We strive to enhance the compliance levels of all our manufacturing sites. Our efforts enabled us to significantly reduce major findings from Good Manufacturing Practice (GMP) audits by 53% compared with the previous year.

With a view to enhance our standards, we have implemented Halal and ISO certification programmes for our Seri Iskandar, Sungai Petani and Puchong plants. At the same time, we are preparing for the European Union (EU) GMP audit and certification process at our Bangi and Seri Iskandar plants which will allow the Group to capitalise on opportunities in the EU region.

RESEARCH AND DEVELOPMENT

The cornerstone of any pharmaceutical company is research and development (R&D). The Group's R&D initiatives are fundamental in propelling our growth and enabling us to maintain our competitive advantage particularly from a development perspective. We have undertaken a number of initiatives in order to develop quality products with the aim of cultivating 200 products by 2020.

We have established a pilot plant in Bangi. The plant has been qualified and is now capable of producing scaled-up batches for technology transfer into commercial production for oral solid dosage forms.

In support of the Government's objective to develop high value herbal products as an Entry Point Project in the Economic Transformation Programme, we have embarked on two biotechnology herbal projects, namely *Kacip Fatimah* and *Patawali*.

We undertook the *Kacip Fatimah* project in collaboration with the Ministry of Science, Technology and Innovation, Boustead Plantations, Agro Dynamics and the University of Nottingham Malaysia Campus. Currently, the project focuses on areas such as plant cultivation and propagation, extraction and pre-clinical studies. Moving forward, we will embark on product development, clinical trials and the commercialisation of *Kacip Fatimah* as a phtyomedicine or botanical drug with scientifically proven medical claims.

"To ensure our generic products are bioequivalent and clinically interchangeable with innovator products, we regularly conduct bioequivalence studies."

The *Patawali* project is a collaborative effort with Forest Research Institute Malaysia (FRIM). We have successfully carried out and concluded the pre-clinical stage of this project. We have submitted reports to FRIM and are set to conduct further research for this project soon.

To ensure our generic products are bioequivalent and clinically interchangeable with innovator products, we regularly conduct bioequivalence studies. As a result, we have successfully attained bioequivalent status for 62 products from the Drug Control Authority. To strengthen the quality of our products, we are involved in clinical investigations for product complaints, clinical reviews on product quality and pharmacovigilance activities.

CORPORATE VALUES

Our corporate responsibility (CR) programmes are at the heart of the Pharmaniaga Group. In tandem with our growth as Malaysia's largest integrated home grown healthcare company, we are committed to nurturing and caring for our employees and the communities in which we operate as well as at the international level.

A picture paints a thousand words

Human Capital

As testament to our commitment to employee engagement and inculcating good workplace practices, Pharmaniaga was recognised as one of Malaysia's foremost employers by regional publication HR Asia, receiving the HR Asia Best Companies to Work for in Asia 2014 Award based on employee surveys. In addition, the Group was crowned the Pharmaceutical Sector winner for Malaysia's 100 Leading Graduate Employer Awards. Pharmaniaga has also received Industry Class in Pharmaceutical at the Selangor Excellence Business Awards 2014 held by the *Dewan Perniagaan Melayu Malaysia – Selangor* in collaboration with The Leaders Magazine.

Safety, Health, Environment & Quality

We have established an Emergency Response Team to ensure employees are sufficiently prepared in the event of an emergency. The modules covered in 2014 were search and rescue, fire safety and emergency evacuations. The team members were also educated on chemical spillage and breathing apparatus.

As part of our Healthy Living Programme to encourage active and healthier lifestyles amongst our employees, we held a variety of activities during the year. This comprised weekly fitness classes, an ongoing Quit Smoking programme, bone density test and blood donation drive.

Creating Right Work Culture

Employees must act right at the work place. For this, during the year, we launched the Do It Right campaign to instil a quality work culture in Pharmaniaga. This campaign will be based on three core thrusts which are;

- Compliance Is Everyone's Responsibility;
- Effective Communication; and
- Do What You Document, Document What You Do.

Guided by these pillars, wherever the employees are, they will have good practices to follow to ensure that they are working in a safe, effective and harmonious environment.

Extended Benefits

Pharmaniaga recognises the accomplishments of high performing children of Pharmaniaga employees by rewarding them with Excellent Academic Achievement Award. This annual award honours the children of the employees who achieve exceptional results in their UPSR, PMR and SPM examinations. In 2014 there was a total of 91 recipients of the prize.

Employees' children also enjoyed other forms of benefit. The organising of mass circumcision for children called *Sunathon* is one of them. As many as 31 children benefited from this inaugural programme.

Vendor Development Programme

We have been continuously nurturing our vendors via our Vendor Development Programme (VDP), which aims to enhance the capabilities of Bumiputera manufacturers in the pharmaceutical industry value chain. This is in line with the Government's aspirations to develop Bumiputera entrepreneurs as well as small and medium enterprises. Our VDP has received significant support from the Ministry of International Trade and Industry in developing the Bumiputera Entrepreneur Economic Agenda.

Community Services

Our *Skuad Operasi Sihat 1Malaysia* (SOS1M) has been a strong driver for the Group's CR initiatives, particularly by providing greater accessibility to healthcare in suburban, rural and *Orang Asli* communities. During *Ramadan*, in the spirit of the holy month, the SOS1M volunteer team joined a non-governmental organisation known as Need to Feed the Need to distribute food to the homeless and hardcore poor.

EXTERNAL

Blood Donation Drive

In line with our commitment to enhancing healthcare awareness, during the year we held our first blood donation drive, themed You're Somebody's Type in collaboration with the National Blood Bank. Targeting the young urban adults, the drive was held at eCurve Shopping Centre in Mutiara Damansara. Many exciting activities were carried out to attract the crowd other than giving out prizes. Over the two-day campaign, we successfully collected more than 700 bags of blood for the National Blood Bank.

Flood Relief Efforts

Towards the end of 2014, Malaysia experienced one of the worst floods in our history. In a bid to contribute to flood relief efforts and provide aid to the flood victims, the Group initiated a campaign called *Kempen Sekampit Beras*. The campaign aimed to collect funds from employees to buy post flood items for the victims.

Other than sending relief, Pharmaniaga had also established a Post Flood Relief Centre in Dabong, Kelantan. The centre assisted with delivering emergency supplies of medicine, food and daily necessities to the flood victims as well as to Government hospitals and clinics in flood affected areas. This centre had benefited more than 3,000 victims.

International Aid

Beyond Malaysian borders, Pharmaniaga supported humanitarian efforts for the people of Gaza by contributing to a donation drive worth over RM600,000 of medical items. The supplies were channelled to Perdana Global Peace Foundation for distribution.

INTRODUCTION

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

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

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

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

The Board is pleased to report to the shareholders, the Company's application and compliance with the principles and recommendations of the Code throughout the financial year ended 31 December 2014.

BOARD OF DIRECTORS

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

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

In this regard, the Board is guided by its documented and approved Limits of Authority (LOA) which differentiates between matters that are specifically reserved for the Board and those delegated to the Managing Director for day-to-day operations of the Company. This

STATEMENT ON CORPORATE GOVERNANCE

formal structure of delegation is further cascaded by the Managing Director to the Senior Management team within the Company. With the LOA, the Managing Director and Senior Management team remain accountable to the Board for the authority that is delegated.

In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Company. The Company Secretary attends all Board meetings and advises the Board on procedures, the requirement of the Company's Memorandum and Articles of Association, the Company's Act and the MMLR. The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management.

The Board is provided with Board papers in advance before each Board meeting and has a formal schedule of matters reserved to itself for decision including the overall Company strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

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

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

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

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

The Company is also committed to sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on the activities pertaining to corporate responsibilities is set out on pages 52 to 59 of this Annual Report.

COMPOSITION OF THE BOARD

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

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

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

Currently, the tenure of all Directors on the Board have not exceeded nine years.

The Company is headed by a lady Managing Director and there is strong representation of women at Senior Management level. Although the Board has not set a target for appointment of additional women directors, the Board embraces gender diversity, mindful that it should always be in the best interest of the Company.

COMPOSITION OF THE BOARD COMMITTEES

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

Audit Committee

The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report on page 80 in this Annual Report.

Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent. The Committee convened a meeting in 2014 which included discussion on contract extension of certain Senior Management positions.

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

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

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

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

Remuneration Committee

The Remuneration Committee comprises exclusively three Non-Executive Directors with the majority of members being Independent Directors. The Committee, which is chaired by an Independent Director, convened three meetings in 2014 which amongst others, deliberated on the proposed Directors' fees for shareholders' consideration. The Committee also discussed on the proposed bonus and increment for staff and Senior Management positions. The attendance record is as follows:

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

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

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

Supply of and Access to Information

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

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

BOARD APPOINTMENT AND COMMITMENTS

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

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

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

BOARD INDEPENDENCE

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

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

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

BOARD MEETINGS

Board meetings are scheduled in advanced and during the financial year ended 31 December 2014, there were six Board meetings held. The details of the respective Director's attendance at the Board meetings held during the year under review are as follows:

Directors	Status Of Directorship	Meetings Attendance
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Non-Independent Non-Executive Chairman	6/6
Dato' Farshila Emran	Managing Director	6/6
Daniel Ebinesan	Non-Independent Non-Executive Director	6/6
Mohd Suffian Haji Haron	Senior Independent Non-Executive Director	6/6
Izzat Othman	Independent Non-Executive Director	6/6
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	Independent Non-Executive Director	5/6

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

During the financial year ended 31 December 2014, the Board reviewed and/or approved, amongst other matters, the following:

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

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

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

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

Directors' Training

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

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

Course Title	Date
3rd Annual Procurement & Integrity Forum for Public and Private Sector 2014	16 January 2014
Financial Services Act (FSA) & Islamic Financial Act 2013	21 January 2014
FIDE Forum Dialogue with Governor "Economic & Financial Services Sector - Trends & Challenges Moving Forward"	24 March 2014
Affin Investment Conference Series 2014 - Look East Policy	8 April 2014
Corporate Governance Symposium 2014	29 and 30 April 2014
Corporate Directors Advance Programme 2014: Financial Language In The Boardroom	9 and 10 June 2014
High Level Roundtable on The Malaysian Code For Institutional Investors	27 June 2014
Audit Committee Workshop Series 1-4	17 July 2014 and 7 August 2014
Half Day Talk by Malaysian Institute of Corporate Governance	18 August 2014
Business Leaders Dialogue with PM - " Partnerships In Nurturing Human Capital"	26 August 2014
Annual Asean Corporate Governance Summit 2014	3 September 2014
Company Directors Advance Programme 2013: Human Capital	18 and 19 September 2014
Perdana Leadership Foundation CEO Forum	24 September 2014
Audit Committee Workshop Series 3 & 4	1 October 2014
Directors Breakfast Series with Beverly Behan "Great Companies Deserve Great Boards"	10 October 2014

Course Title	Date
Directors Forum 7/2014 "Talent and Human Capital: The Drivers of Growth and Creativity"	12 to 14 October 2014
Nominating Committee Programme	15 October 2014
Half Day Talk on: - Amendments to Companies Bills - GST Implications to Non-Executive Directors - Recovery and Resolution Planning - Cybercriminals in the Financial Services Sector	2 December 2014

Directors' Remuneration

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

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

Further details of Directors' remuneration are set out below and in Notes 7 and 8 to the Financial Statements on pages 127 to 129 of this Annual Report.

Remuneration Package

The remuneration package of the Directors is as follows:

a. Basic Salary

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

b. Fees

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

c. Bonus Scheme

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

d. Benefits-in-kind and other Perquisites

The Managing Director is entitled to the provision of leave passage, car allowance, driver, medical (inclusive of immediate family members) and dental coverage. The Non-Executive Directors are entitled for the hand phone allowance, medical and dental coverage.

e. Retirement Plan

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

f. Service Contract

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

Disclosure on Directors' Remuneration

The details of the remuneration received by each category of Directors for the financial year ended 31 December 2014 are as follows:

Directors	Basic Salaries, Bonus & EPF (RM)	Fees (RM)	Allowance, Perquisites & other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Director	1,506,692	26,250	80,177	37,870	1,650,989
Non-Executive Directors	-	683,500	261,464	-	944,964
Total	**1,506,692**	**709,750**	**341,641**	**37,870**	**2,595,953**

The number of Directors of the Company whose remuneration falls into the following bands is as follows:

Remuneration Band	No. of Directors	
	Executive	**Non-Executive**
RM50,000 – RM500,000	-	5
RM1,550,001 – RM2,000,000	1	-

* None of the Directors' remuneration falls within the RM500,001 – RM1,550,000 band.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

Name	:	Norai'ni Mohamed Ali
Position	:	Chief Financial Officer
Email	:	noraini.aliani@pharmaniaga.com
Tel	:	+603 3342 9999 ext. 442

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide and present a balanced, insightful and timely assessment of the Pharmaniaga Group's financial position and prospects by ensuring quality financial reporting to its stakeholders, in particular, shareholders, investors and the regulatory authorities. These stakeholders are kept abreast of the Pharmaniaga Group's financial position during the financial year, through the annual financial statements, quarterly financial results announcements and press releases. Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality of financial reporting and adequacy of such information, prior to submission to the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

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

Internal Control

The Board acknowledges that its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. The Pharmaniaga Group adheres to MMLR and Statement on Risk Management and Internal Control for Directors of Public Listed Companies as guidance for compliance with these requirements. Information on the Group's Internal Control is presented in the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the MMLR of Bursa Malaysia on pages 72 to 79 of this Annual Report.

Relationship with External Auditors

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

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

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

RECOGNISE AND MANAGE RISKS

Sound framework to manage material business risks

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

Internal Audit Function

The Internal Audit function of Pharmaniaga Group is carried out by the Group Internal Audit (GIA) of Boustead Holdings Berhad, where the Head of GIA reports directly to the Audit Committee. The Committee reviews and approves the GIA's annual audit plan for the Pharmaniaga Group, as well as the financial budget and human resources required to effectively discharge the Internal Audit function.

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

OTHER COMPLIANCE INFORMATION

Related Party Transactions

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

The details of the related party transactions are set out under Note 37 to the Financial Statements on pages 173 to 175 of this Annual Report.

Non-Audit Fees

	Group RM'000	Company RM'000
Non-audit fees paid to the External Auditors for the financial year ended 31 December 2014	332	298

Imposition of Sanction and/or Penalties

The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2014.

Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2014 and the unaudited result previously announced.

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

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

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

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

This Statement on Corporate Governance has been approved by the Board of Pharmaniaga on 18 February 2015.

RESPONSIBILITY

THE BOARD OF DIRECTORS

The Board of Directors (the Board) is responsible for the review of the adequacy and effectiveness of the Pharmaniaga Group's (the Group) risk management framework and internal control systems.

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

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

THE MANAGEMENT

The Management is responsible for implementing the process of identifying and assessing the risks faced by the Group, and then designing, implementing and monitoring suitable internal controls to mitigate and control these risks. The Board ensures that Managementundertakes such actions as may be necessary in the implementation of the policies and procedures on risk and control approved by the Board.

A formal Management Control Policy (MCP) spells out the internal control responsibilities of the managers, at all levels of the organisation to ensure that they are at all times fully aware of their internal control's responsibilities. The MCP also clarifies the responsibilities of the Internal Audit function and the Audit Committee to complement the Terms of Reference of the Audit Committee, the Internal Audit Charter and this Statement on Risk Management and Internal Control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY ELEMENTS OF RISK MANAGEMENT FRAMEWORK

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

The Management, through the Risk Management Committee (RMC), is entrusted with the responsibility of implementing and maintaining the Group's Risk Management framework. The RMC is headed by the Managing Director and assisted by the Heads of Division to drive the Risk Management of the Group. The Group's Risk Management framework has the following key attributes:

- Risk Governance and Strategy

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

  (i) Day-to-day risk management residing at the business units and divisions through practical controlling processes that require and encourage the Management and employees to carry out their duties in an ethically compliant manner.

  (ii) As outlined in the MCP, the Heads of Division are entrusted to;

  - Evaluate the risk exposures which relate to their particular spheres of operations;
  - Coordinate the development of appropriate risk mitigation action plans;
  - Update the Business Continuity Plan for key business risks;
  - Monitor the results of key performance indicators; and
  - Ensure good corporate governance.

  (iii) The Audit Committee via the Internal Audit function is responsible for monitoring the responsibilities of the Management and reporting to the Board matters deemed critical to the organisation's risk management activities including the implementation of the appropriate systems to manage risks.

- Risk Analysis and Measurement

  In line with the Group's focus on expanding its business activities, the RMC had undertaken a more detailed approach towards assessing risks relating to doing business locally and internationally. The Group's Risk Register has been established and updated regularly. The Risk Register analyses the different risk exposures and appetites across different divisions within the Group and examines the root cause and potential consequences of the identified risks to the operations of the divisions. The Risk Register also documents the ratings of risks to facilitate the development of the appropriate and optimal action plans by the Management. Action plans to mitigate and manage risks will be included in the register to ensure clear commitments and responsibilities are agreed at all levels in the organisation.

Consistent with the Group's commitment to manage risk in a proactive and effective manner, all project investment papers outline the risks involved with ratings on the probability and impact to the Group. The papers also propose steps or factors to mitigate the identified risks.

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

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

Audit Committee

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

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

Group Internal Audit

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

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

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

CONTROL SYSTEMS AND PRACTICES

The internal control system of the Group is supported by the control systems and practices which provide the discipline and structure, to sustain organisational support of the Management and employees. The control systems and practices that encompass organisation structure, governance activities and practices include:

- **Operating structure with clearly defined lines of responsibility and delegated authority**

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

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

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

- **Written policies and procedures on the limits of delegated authority**

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

- **Clearly documented standard operating procedures manuals**

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

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

Code of Conduct

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

Strategic Business Planning, Budgeting and Reporting

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

Based on strategies identified, the Annual Operating and Three-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 21 November 2014. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised based on changes in the business and operating environments. Inputs from the Board Strategic Planning Sessions are used to develop the Annual Operating and Three-Year Business Plan.

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

Human Resources Policies and Procedures

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

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

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

Manpower planning exercise is conducted on an annual basis within the Group with the allocated budget. The planning exercise enables the Management to determine and to identify present and prospective needs of human capital resource and recruit the required number of suitable personnel. In addition, the Management will also promote or transfer the employees as per the Group's requirements.

In accordance with the Personal Data Protection Act 2010 which became enforceable on 15 November 2013 to regulate the processing of personal data in commercial transactions, the Company is committed to ensuring complete compliance with the Act.

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

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

- **Tender Award System**

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

- **Insurance**

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

- **Credit Management**

  The Group's credit management policy aims to minimise credit and payment risk by providing a set of rigorous criteria to identify the high risk customers in the private market, so the appropriate credit control can be duly executed and the identified customers can be closely monitored.

MONITORING

Relevant processes adopted to monitor the adequacy and integrity of the systems of internal control include:

- **Regular Monthly Reporting**

  Operational review meetings are conducted on a monthly basis to review and monitor matters pertaining to the business operations. The review is based on performance reports that provide comprehensive information on financial performance and other key non-financial indicators. Monthly performance is also reviewed against the targets allowing for timely response and corrective action to be taken to mitigate risk.

- **Performance Management**

  A structured Performance Management System (PMS) which is linked to and guided by the established Key Performance Indicators (KPIs) and Key Result Areas (KRAs) parameters has been implemented. The Group adopts the following Balance Scorecard quadrants (FCIO) to measure KPI achievements through the PMS:
  - Financial (F)
  - Customer (C)
  - Internal Business Process (I)
  - Organisational Learning & Growth (O)

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

- **Internal Audit Function**

  The Internal Audit Function provides an independent, objective assurance on the areas of operations reviewed and advise on the best practices that will improve and add value to the Group's internal control. The Group Internal Auditors from Boustead Holdings Berhad adopts a risk based methodology in planning and conducting audits by focusing on significant risks as identified by the Management.

COMMUNICATION

A sound communication channel ensures important information to be identified, documented and shared in a form and timeframe that enable people to carry out their responsibilities. Platforms available to enhance transparent and effective communication include:

- **Assembly and session with the Management**

  The Management is committed to a transparent and effective communication and values the feedback from employees in order to motivate them to deliver high quality and efficient services to the customers and other stakeholders. The assembly is held at least once quarterly as a platform of a two-way communication between the Management and the employees, to bring up matters ranging from operations to welfare and to celebrate company's achievements.

- **Whistleblowing**

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

- **Do It Right Campaign**

  In November 2014, a compliance awareness programme, the Do It Right campaign has been launched to inculcate in Pharmaniaga's employees, the culture of compliance with the Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), Good Distribution Practice for Medical Devices (GDPMD), International Organisation for Standardisation (ISO) and other relevant laws and regulations.

The activities planned which include trainings, workshops, contests, dialogues, exhibitions and video shows are structured to convey three themes:

- Compliance Is Everyone's Responsibility;
- Effective Communication; and
- Do What You Document, Document What You Do.

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

ASSURANCE FROM MANAGEMENT

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

This statement is made in accordance with the resolution of the Board of Directors dated 18 February 2015.

The Board of Directors of Pharmaniaga Berhad is pleased to present the report of the Audit Committee for the financial year 2014.

MEMBERSHIPS AND MEETINGS

During the financial year, the Audit Committee has convened four meetings in 2014. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The details of attendance of each member at the Audit Committee meetings held during the financial year are set out below:

Directors	Status Of Directorship	Independent	Meetings Attendance
Mohd Suffian Haji Haron	Non-Executive Director (Chairman)	Yes	4/4
Daniel Ebinesan	Non-Executive Director	No	4/4
Izzat Othman	Non-Executive Director	Yes	4/4
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	Non-Executive Director	Yes	3/4

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

TERMS OF REFERENCE

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

Membership

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

AUDIT COMMITTEE REPORT

Authority

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

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

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

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

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

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

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

Key Functions and Responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

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

xiii) To report to Bursa Malaysia, any breaches of the MMLR which have not been satisfactorily resolved; and

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

SUMMARY OF ACTIVITIES

During the financial year 2014, the Audit Committee carried out its duties in accordance with its terms of reference.

Financial Reporting

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

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

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

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

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

Internal Audit

- Reviewed and approved Group Internal Audit's (GIA) Annual Audit Plan to ensure adequate scope and comprehensiveness of the activities and coverage on auditable entities with significant high risks.
- Reviewed adequacy of resource requirements and competencies of staff within the internal audit function to execute the annual audit plan and the results of the work.

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

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

External Audit

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

- Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for ad hoc non-audit services. This includes monitoring the fees of total non-audit work by the external auditors. The non-audit fees are disclosed in the Statement on Corporate Governance in this annual report.

- Received reports from the external auditors on their own policies regarding independence and the measures taken to control the quality of their work.

- Met with the external auditors twice during the year in the absence of the Managing Director and Senior Management.

Related Party Transactions

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

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

Annual Reporting

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

Risk Management

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

INTERNAL AUDIT FUNCTION

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

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

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

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

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

The total cost incurred for GIA in respect of the financial year ended 31 December 2014 amounted to RM236,000.

The financial statements of the Group and of the Company have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

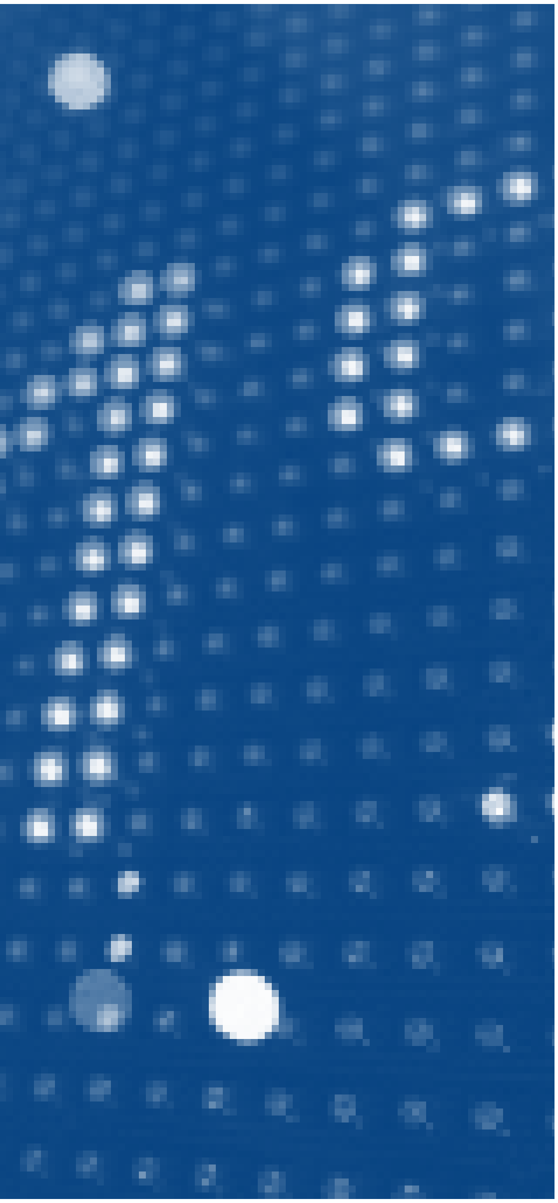
In preparing the financial statements, the Directors have:

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS



Financial
Statements

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	94,225	79,149
Attributable to:		
Owners of the parent	93,844	79,149
Non-controlling interests	381	-
	94,225	79,149

DIVIDENDS

Since the end of the previous financial year, the Directors have declared the following dividends in respect of the financial year ended 31 December 2014:

	Dividend Sen per share	Dividend RM'000	Payment Date
First interim single tier dividend	4.00	10,355	16 June 2014
Second interim single tier dividend	4.00	10,355	24 September 2014
Third interim single tier dividend	8.00	20,711	30 December 2014
Fourth interim single tier dividend	12.00	31,066	26 March 2015
	28.00	72,487	

The fourth interim single tier dividend of 12.00 sen per share amounting to RM31,065,928 mentioned above in respect of the financial year ended 31 December 2014 will be paid on 26 March 2015 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2014.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant and subsequent events during the financial year are disclosed in Note 38 to the financial statements.

DIRECTORS

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

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate emoluments received or due and receivable by the Director as shown in Notes 7 and 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 37(f) to the financial statements.

REMUNERATION COMMITTEE

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Acquired	Sold	At 31.12.2014
The Company				
Direct interest				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	-	-	12,500,148
Dato' Farshila Emran	804,000	-	(597,000)	207,000
Daniel Ebinesan	400,000	-	-	400,000
Izzat Othman	99,000	-	-	99,000

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Acquired	Sold	At 31.12.2014
Immediate holding company				
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	-	-	28,192,758
Daniel Ebinesan	157,740	-	-	157,740

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Acquired	Sold	At 31.12.2014
Related corporations				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	-	-	2,000,000
Daniel Ebinesan	20	-	-	20
Mohd Suffian Haji Haron	40,000	-	(20,000)	20,000
Boustead Petroleum Sdn. Bhd.				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	-	-	5,916,465
Boustead Plantations Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	-	31,381,600^	-	31,381,600
Dato' Farshila Emran	-	450,000^	-	450,000
Daniel Ebinesan	-	1,295,500^	-	1,295,500
Mohd Suffian Haji Haron	-	30,000^	-	30,000
Izzat Othman	-	250,000^	-	250,000
Affin Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	242,614*	-	1,051,328
Daniel Ebinesan	27,000	16,300*	-	43,300

* Pursuant to rights issue issued on 4 July 2014
^ Pursuant to Initial Public Offering on 26 June 2014

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

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

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

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

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

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

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

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGING CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

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

HOLDING CORPORATIONS

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 February 2015.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

Statement by **Directors**

pursuant to section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Lodin Wok Kamaruddin and Dato' Farshila Emran, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 97 to 182 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 41 on page 183 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 February 2015.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

Statutory **Declaration**

pursuant to section 169(16) of the Companies Act, 1965

I, Norai'ni Mohamed Ali, being the officer primarily responsible for the financial management of Pharmaniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 97 to 182 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NORAI'NI MOHAMED ALI

Subscribed and solemnly declared by the abovenamed Norai'ni Mohamed Ali at Kuala Lumpur on 27 February 2015, before me.

COMMISSIONER FOR OATHS

Independent Auditors' **Report**

to the members of Pharmaniaga Berhad (incorporated in Malaysia) (Company no. 467709 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pharmaniaga Berhad on pages 97 to 182, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on Notes 1 to 40.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 on page 183 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

AZIZAN BIN ZAKARIA
(No. 2930/05/16 (J))
Chartered Accountant

Kuala Lumpur
27 February 2015

Income **Statements**

for the financial year ended 31 december 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	4	**2,122,933**	1,946,639	**91,083**	71,668
Cost of sales	5	**(1,773,473)**	(1,649,040)	**-**	-
Gross profit		**349,460**	297,599	**91,083**	71,668
Other income	7(b)	**808**	598	**44**	21
Administrative expenses		**(209,211)**	(191,787)	**(9,451)**	(8,865)
Finance costs	6	**(16,768)**	(14,665)	**(4,148)**	(4,635)
Interest income		**1,291**	1,252	**1,621**	2,435
Profit before taxation	7	**125,580**	92,997	**79,149**	60,624
Taxation	9	**(31,355)**	(36,236)	**-**	(1,563)
Net profit for the financial year		**94,225**	56,761	**79,149**	59,061
Attributable to:					
Owners of the parent		**93,844**	55,200	**79,149**	59,061
Non-controlling interests		**381**	1,561	**-**	-
Net profit for the financial year		**94,225**	56,761	**79,149**	59,061
Earnings per share (sen):					
- basic and diluted	10	**36.25**	21.32		

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

Statements of **Comprehensive Income**

for the financial year ended 31 december 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Net profit for the financial year		**94,225**	56,761	**79,149**	59,061
Other comprehensive income/(loss), net of tax:					
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation differences for foreign operations		**3,230**	(5,588)	**-**	-
Items that will not be reclassified to profit or loss					
Recognition of actuarial gains	31	**201**	1,225	**-**	-
Other comprehensive income/(loss), net of tax for the financial year		**3,431**	(4,363)	**-**	-
Total comprehensive income, net of tax for the financial year		**97,656**	52,398	**79,149**	59,061
Attributable to:					
Owners of the parent		**96,352**	52,801	**79,149**	59,061
Non-controlling interests		**1,304**	(403)	**-**	-
		97,656	52,398	**79,149**	59,061

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

Statements of **Financial Position**

as at 31 december 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**369,800**	353,368	**-**	-
Prepaid lease payments	13	**2,547**	1,075	**-**	-
Subsidiaries	14	**-**	-	**436,610**	357,176
Investment in an associate	15	**-**	19	**-**	19
Intangible assets	16	**232,982**	124,508	**-**	-
Trade receivables	18	**10,605**	11,049	**-**	-
Other receivables	19	**1,450**	-	**1,450**	-
Amount due from a subsidiary	20	**-**	-	**80,542**	59,023
Deferred tax assets	30	**21,070**	6,625	**-**	-
		638,454	496,644	**518,602**	416,218
Current assets					
Inventories	17	**427,035**	410,531	**-**	-
Trade receivables	18	**117,002**	132,353	**-**	-
Other receivables	19	**25,914**	25,355	**271**	98
Amounts due from subsidiaries	20	**-**	-	**98,575**	93,750
Amounts due from related companies	21	**-**	68	**-**	-
Deposits, cash and bank balances	22	**31,982**	32,900	**562**	1,192
Tax recoverable		**2,333**	13,215	**-**	-
		604,266	614,422	**99,408**	95,040
TOTAL ASSETS		**1,242,720**	1,111,066	**618,010**	511,258

EQUITY AND LIABILITIES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Capital and reserves attributable to equity holders of the Company					
Share capital	28	**129,441**	129,441	**129,441**	129,441
Share premium		**11,751**	11,751	**11,751**	11,751
Exchange reserve		**(1,730)**	(4,131)	**-**	-
Retained earnings	29	**387,050**	350,571	**203,239**	181,562
		526,512	487,632	**344,431**	322,754
Non-controlling interests		**25,523**	15,631	**-**	-
Total equity		**552,035**	503,263	**344,431**	322,754
Non-current liabilities					
Loans and borrowings	27	**1,060**	318	**-**	-
Deferred tax liabilities	30	**28,290**	12,834	**-**	-
Provision for defined benefit plan	31	**6,213**	4,789	**-**	-
		35,563	17,941	**-**	-
Current liabilities					
Amounts due to subsidiaries	20	**-**	-	**205,679**	131,599
Amounts due to related companies	21	**1,192**	1,944	**-**	-
Trade payables	23	**396,459**	337,417	**-**	-
Other payables	24	**50,903**	48,043	**2,856**	1,731
Amount due to immediate holding company	25	**227**	200	**44**	174
Deferred income	26	**152**	-	**-**	-
Loans and borrowings	27	**200,080**	199,562	**65,000**	55,000
Current tax liabilities		**6,109**	2,696	**-**	-
		655,122	589,862	**273,579**	188,504
Total liabilities		**690,685**	607,803	**273,579**	188,504
TOTAL EQUITY AND LIABILITIES		**1,242,720**	1,111,066	**618,010**	511,258

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

Statements of **Changes in Equity**

for the financial year ended 31 december 2014

	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Equity attributable to equity holders of the Company						
Group								
At 1 January 2014		**129,441**	**11,751**	**(4,131)**	**350,571**	**487,632**	**15,631**	**503,263**
Comprehensive income:								
- Net profit for the financial year		-	-	-	93,844	93,844	381	94,225
- Other comprehensive income		-	-	2,401	107	2,508	923	3,431
Total comprehensive income for the financial year		-	-	2,401	93,951	96,352	1,304	97,656
Transactions with owners:								
Non-controlling interest arising on the acquisition of a subsidiary	14	-	-	-	-	-	8,402	8,402
Increase in shares by a subsidiary		-	-	-	-	-	186	186
Dividends	11	-	-	-	(57,472)	(57,472)	-	(57,472)
Total transactions with owners for the financial year		-	-	-	(57,472)	(57,472)	8,588	(48,884)
At 31 December 2014		**129,441**	**11,751**	**(1,730)**	**387,050**	**526,512**	**25,523**	**552,035**

	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Equity attributable to equity holders of the Company						
Group								
At 1 January 2013		117,674	11,751	(1,058)	343,651	472,018	15,835	487,853
Comprehensive income:								
- Net profit for the financial year		-	-	-	55,200	55,200	1,561	56,761
- Other comprehensive (loss)/income		-	-	(3,073)	674	(2,399)	(1,964)	(4,363)
Total comprehensive (loss)/income for the financial year		-	-	(3,073)	55,874	52,801	(403)	52,398
Transactions with owners:								
Non-controlling interest arising on incorporation of a new subsidiary		-	-	-	-	-	199	199
Issuance of bonus shares	28	11,767	-	-	(11,767)	-	-	-
Dividends	11	-	-	-	(37,187)	(37,187)	-	(37,187)
Total transactions with owners for the financial year		11,767	-	-	(48,954)	(37,187)	199	(36,988)
At 31 December 2013		129,441	11,751	(4,131)	350,571	487,632	15,631	503,263

	Note	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Company					
At 1 January 2014		**129,441**	**11,751**	**181,562**	**322,754**
Total comprehensive income for the financial year		**-**	**-**	**79,149**	**79,149**
Transactions with owners:					
Dividends	11	**-**	**-**	**(57,472)**	**(57,472)**
Total transactions with owners for the financial year		**-**	**-**	**(57,472)**	**(57,472)**
At 31 December 2014		**129,441**	**11,751**	**203,239**	**344,431**
At 1 January 2013		117,674	11,751	171,455	300,880
Total comprehensive income for the financial year		-	-	59,061	59,061
Transactions with owners:					
Issuance of bonus shares	28	11,767	-	(11,767)	-
Dividends	11	-	-	(37,187)	(37,187)
Total transactions with owners for the financial year		11,767	-	(48,954)	(37,187)
At 31 December 2013		129,441	11,751	181,562	322,754

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

Statements of **Cash Flows**

for the financial year ended 31 december 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**2,150,779**	1,947,477	**-**	179,737
Cash payments to suppliers and employees		**(1,900,696)**	(1,644,064)	**(13,467)**	(59,479)
Cash generated from/(used in) operations		**250,083**	303,413	**(13,467)**	120,258
Interest paid		**(16,573)**	(16,149)	**-**	-
Tax paid		**(21,338)**	(33,578)	**-**	-
Interest received		**1,307**	1,213	**-**	-
Net cash generated from/(used in) operating activities		**213,479**	254,899	**(13,467)**	120,258
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary (net of cash acquired)	14	**(69,264)**	(4,505)	**-**	-
Issuance of shares by a subsidiary		**186**	-	**-**	-
Proceeds from disposal of property, plant and equipment		**619**	301	**-**	-
Purchase of property, plant and equipment	12	**(31,434)**	(43,514)	**-**	-
Purchase of intangible assets	16	**(54,649)**	(36,288)	**-**	-
Gross advances to subsidiaries		**-**	-	**(98,116)**	(23,708)
Gross repayments from subsidiaries		**-**	-	**1,606**	45,386
Net cash (used in)/generated from investing activities		**(154,542)**	(84,006)	**(96,510)**	21,678

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(57,472)**	(37,187)	**(57,472)**	(37,187)
Drawdown of short term borrowings		**508,154**	284,817	**65,000**	125,000
Interest paid		**-**	-	**(4,148)**	(4,635)
Repayment of short term borrowings		**(510,787)**	(418,945)	**(55,000)**	(190,000)
Gross advances received from subsidiaries		**-**	-	**170,860**	179,690
Gross repayments to subsidiaries		**-**	-	**(9,893)**	(214,056)
Net cash (used in)/generated from financing activities		**(60,105)**	(171,315)	**109,347**	(141,188)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(1,168)**	(422)	**(630)**	748
Foreign exchange differences		**250**	(1,231)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**32,900**	34,553	**1,192**	444
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	22	**31,982**	32,900	**562**	1,192

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

1 GENERAL INFORMATION

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

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

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

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

Registered office:

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

Principal place of business:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Amendments to published standards that are effective

The amendments to published standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 — 'Financial Instruments: Presentation'
- Amendments to MFRS 136 — 'Impairment of Assets' - Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 10, MFRS 12 and MFRS 127 — 'Consolidated Financial Statements', 'Disclosures of Interests in Other Entities' and 'Separate Financial Statements' - Investment Entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

(i) Financial year beginning on/after 1 January 2016

- Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 138 'Intangible Assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible assets are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures' regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

- Amendments to MFRS 127 'Separate Financial Statements' (effective from 1 January 2016) allows an entity to account for its investment in subsidiaries, joint ventures and associates using equity accounting in its separate financial statements. Hence, the entity only needs to prepare one set of financial statements. The amendments shall be applied accordingly.

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

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The Group will apply the new standards and amendments to published standards in the following period: (continued)

(iii) Financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company are assessing the impact of the above standards and amendments to published standards on the financial statements of the Group and of the Company in the year of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Associates

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment reporting

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

(d) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

(iii) Group companies (continued)

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

(e) Property, plant and equipment

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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

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

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

(f) Prepaid lease payments

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

Prepaid lease payments are amortised on a straight-line basis over the lease period ranging from 20 to 33 years.

(g) Investments

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

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

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

(h) Intangible assets

(i) Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

(i) Goodwill (continued)

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

(ii) Software

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

(iii) Rights to supply

(i) Concession Agreement

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

(ii) Supply Agreement

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

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

(iv) Pharmacy manufacturing licence

Pharmacy manufacturing licence acquired in a business combination is recognised at fair value at the acquisition date. The pharmacy manufacturing licence represents the rights to manufacture pharmaceutical products in Indonesia and has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 9 years.

(v) Trade name

Trade name acquired in a business combination is recognised at fair value at the acquisition date. Trade name represents the in-house branded generic products and has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trade name over a period of 15 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Research and development

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

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

Development costs work-in-progress is tested for impairment annually, in accordance with MFRS 136 "Impairment of Assets". See accounting policy Note 2(j) on impairment of non-financial assets.

(j) Impairment of non-financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

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

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

(l) Trade receivables

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

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

(m) Cash and cash equivalents

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

(n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

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

(iii) Dividends

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings and borrowing costs

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

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

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

(p) Trade payables

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

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

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(iii) Defined benefit plan

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

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

(r) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

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

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

(i) Sale of goods and services

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

(ii) Contracts

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

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

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

(iii) Interest income

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

(iv) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference are not recognised.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial assets

Classification

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

Loans and receivables

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

Recognition and initial measurement

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

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

De-recognition

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

(v) Offsetting financial instruments

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

(w) Impairment of financial assets

Assets carried at amortised cost

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

(x) Deferred income

RoyalePharma cash vouchers issued to eligible employees within the Group are recognised at their fair values and presented as deferred income within current liabilities. It is credited to the profit or loss upon redemption or expiry of the vouchers.

(y) Contingent assets and liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Leases

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

Accounting by lessee

Finance leases

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

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

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

Operating leases

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of property, plant and equipment and capitalised development costs

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

Projected future cash flows are based on the Group's estimates calculated based on the cash-generating unit's operating results, approved business plans, sector and industry trends as well as future economic conditions, changes in technology and other available information. The assumptions used, results and conclusion of the impairment assessment are stated in Note 12.

Estimated impairment of goodwill

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

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the tax losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, as stated in Note 30.

4 REVENUE

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue consists of:					
Contracts	32	**58,187**	15,264	**-**	-
Sale of goods		**2,064,746**	1,931,375	**-**	-
Dividend income		**-**	-	**85,000**	67,250
Management fees		**-**	-	**6,083**	4,418
		2,122,933	1,946,639	**91,083**	71,668

5 COST OF SALES

	Note	Group 2014 RM'000	Group 2013 RM'000
Cost of sales consists of:			
Amortisation of intangible assets	16	**15,729**	34,338
Depreciation of property, plant and equipment	12	**22,034**	20,210
Employee benefit expenses	8	**37,362**	32,819
Finished goods and work-in-progress purchases		**1,489,252**	1,438,332
Impairment of slow moving and obsolete inventories		**4,863**	2,121
Inventories written off		**769**	1,083
Inventories written down/(back)		**680**	(179)
Raw materials and consumables used		**110,533**	75,164
Selling and distribution costs		**27,155**	23,463
Others		**7,209**	6,414
Cost of inventories sold		**1,715,586**	1,633,765
Contracts costs	32	**57,887**	15,275
		1,773,473	1,649,040

6 FINANCE COSTS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Interest expenses on:				
- bankers' acceptances	**2,672**	5,849	**-**	-
- revolving credits	**7,881**	4,635	**4,148**	4,635
- foreign time loan	**6,215**	4,181	**-**	-
	16,768	14,665	**4,148**	4,635

7 PROFIT BEFORE TAXATION

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

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Amortisation of intangible assets	16	**18,031**	34,915	**-**	-
Amortisation of prepaid lease payments	13	**51**	51	**-**	-
Auditors' remuneration:					
- statutory audit fees					
- PricewaterhouseCoopers, Malaysia		**439**	404	**144**	100
- firms other than member firms of PricewaterhouseCoopers International Limited		**44**	38	**-**	-
- (over)/under accrual in prior years		**(20)**	59	**10**	24
- other non-audit fees		**332**	287	**298**	54
Directors' fees:					
- Executive	8	**26**	-	**-**	-
- Non-executive		**684**	349	**532**	324
Directors' other allowances and emoluments		**342**	168	**130**	161

7 PROFIT BEFORE TAXATION (CONTINUED)

(a) The following expenses (excluding finance costs) have been charged/(credited) in arriving at profit before taxation: (continued)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Employee benefit expenses		**143,770**	117,945	**6,230**	3,532
Foreign exchange losses		**803**	900	**-**	-
(Reversal of)/impairment loss on:					
- amounts due from subsidiaries	20(a)	**-**	-	**(5,232)**	-
- investment in an associate	15	**19**	-	**19**	-
- goodwill	16	**-**	5,000	**-**	-
- trade receivables	18	**3,844**	18,388	**-**	-
- other receivables	19	**-**	108	**-**	-
Property, plant and equipment:					
- depreciation	12	**31,642**	29,664	**-**	-
- written-off	12	**26**	409	**-**	-
Impairment of slow moving and obsolete inventories		**6,948**	1,641	**-**	-
Management fees paid/payable to immediate holding company		**330**	337	**132**	264
Rental of premises		**7,045**	6,166	**3**	3
Rental of equipment		**3,126**	2,808	**36**	31
Research and development expenses		**3,136**	4,324	**-**	-

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other income

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Foreign exchange gains	**-**	-	**13**	14
Gain on disposal of property, plant and equipment	**106**	212	**-**	-
Rental income	**50**	25	**-**	-
Utilisation of government grants	**-**	28	**-**	-
Management fee for research project	**183**	17	**-**	-
Others	**469**	316	**31**	7
	808	598	**44**	21

8 EMPLOYEE BENEFIT EXPENSES

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries and bonuses		**103,110**	82,863	**3,220**	1,613
Defined contribution plan		**13,313**	11,148	**525**	299
Defined benefit plan	31	**965**	986	**-**	-
Other short term employee benefits		**24,795**	21,928	**898**	600
		142,183	116,925	**4,643**	2,512
Executive director's remuneration:					
Salaries and bonuses		**1,338**	840	**1,338**	840
Fee		**26**	-	**-**	-
Defined contribution plan		**168**	108	**168**	108
Other short term employee benefits		**81**	72	**81**	72
		1,613	1,020	**1,587**	1,020
		143,796	117,945	**6,230**	3,532

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Employee benefit expenses included in:					
- Cost of sales	5	**37,362**	32,819	**-**	-
- Administrative expenses		**106,408**	85,126	**6,230**	3,532
Executive director's fee	7(a)	**26**	-	**-**	-
		143,796	117,945	**6,230**	3,532

The estimated monetary value of benefits provided to a Director of the Company during the financial year amounted to RM37,870 (2013: RM65,638).

9 TAXATION

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax:					
- Malaysian income tax		**33,047**	30,413	**-**	1,563
- foreign income tax		**683**	3,366	**-**	-
- under/(over) accrual in prior years		**2,069**	(7,512)	**-**	-
		35,799	26,267	**-**	1,563
Deferred taxation:					
- origination and reversal of temporary differences	30	**(4,444)**	9,969	**-**	-
Tax expense		**31,355**	36,236	**-**	1,563

9 TAXATION (CONTINUED)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	**125,580**	92,997	**79,149**	60,624
Income tax at rate of 25% (2013: 25%)	**31,395**	23,249	**19,787**	15,156
Tax effects of:				
Expenses not deductible for tax purpose	**10,061**	14,765	**2,997**	1,795
Expenses subject to double deduction	**(2,661)**	(2,085)	**-**	-
Income not subject to tax	**(477)**	(203)	**(23,852)**	(15,255)
Current year's deductible temporary differences and tax losses not recognised	**1,886**	3,385	**746**	181
Recognition of previously unrecognised temporary differences	**(11,989)**	(314)	**-**	(314)
Under/(over) accrual of tax in prior years	**2,670**	(2,561)	**-**	-
Change in tax rate	**470**	-	**322**	-
Tax expense	**31,355**	36,236	**-**	1,563

10 EARNINGS PER SHARE

Basic and diluted earnings per share

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

	Group	
	2014	2013
Net profit attributable to owners of the Company (RM'000)	**93,844**	55,200
Weighted average number of ordinary shares in issue ('000)	**258,882**	258,882
Basic and diluted earnings per share (sen)	**36.25**	21.32

11 DIVIDENDS

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

	Company			
	2014		2013	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
In respect of the financial year ended 31 December 2014:				
- First interim single tier dividend	**4.00**	**10,355**	-	-
- Second interim single tier dividend	**4.00**	**10,355**	-	-
- Third interim single tier dividend	**8.00**	**20,711**	-	-
In respect of the financial year ended 31 December 2013:				
- First interim single tier dividend*	**-**	**-**	3.41	8,827
- Second interim single tier dividend	**-**	**-**	3.41	8,827
- Third interim single tier dividend	**-**	**-**	3.00	7,766
- Fourth interim single tier dividend	**6.20**	**16,051**	-	-
In respect of the financial year ended 31 December 2012:				
- Fourth interim single tier dividend	**-**	**-**	10.00	11,767
	22.20	**57,472**	19.82	37,187

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

Subsequent to the end of the current financial year, the Directors have declared a fourth interim single tier dividend of 12.00 sen per share amounting to RM31,065,928 in respect of the financial year ended 31 December 2014. The dividend will be paid on 26 March 2015 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2014.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Furniture, fittings, renovation and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
At 31 December 2014						
Cost	**276,135**	**100,928**	**7,294**	**224,095**	**16,148**	**624,600**
Accumulated depreciation	**(79,338)**	**(64,510)**	**(5,341)**	**(105,611)**	**-**	**(254,800)**
Net book value	**196,797**	**36,418**	**1,953**	**118,484**	**16,148**	**369,800**
At 31 December 2013						
Cost	260,832	80,466	6,413	209,398	15,234	572,343
Accumulated depreciation	(69,730)	(54,506)	(4,593)	(90,146)	-	(218,975)
Net book value	191,102	25,960	1,820	119,252	15,234	353,368

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Land and buildings RM'000	Furniture, fittings, renovation and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Movements in net book value							
At 1 January 2014		**191,102**	**25,960**	**1,820**	**119,252**	**15,234**	**353,368**
Acquisition of a subsidiary	14	**6,952**	**6,841**	**90**	**770**	**-**	**14,653**
Additions		**6,269**	**10,685**	**734**	**9,826**	**5,864**	**33,378**
Disposals		**-**	**(278)**	**-**	**(235)**	**-**	**(513)**
Written off	7(a)	**-**	**(26)**	**-**	**-**	**-**	**(26)**
Reclassification		**597**	**608**	**-**	**3,745**	**(4,950)**	**-**
Depreciation charged	7(a)	**(8,584)**	**(7,500)**	**(684)**	**(14,874)**	**-**	**(31,642)**
Foreign exchange adjustments		**461**	**128**	**(7)**	**-**	**-**	**582**
At 31 December 2014		**196,797**	**36,418**	**1,953**	**118,484**	**16,148**	**369,800**
At 1 January 2013		199,378	27,152	1,018	111,260	852	339,660
Additions		374	6,090	1,435	20,489	15,126	43,514
Disposals		(47)	(36)	(6)	-	-	(89)
Written off	7(a)	-	(9)	-	(400)	-	(409)
Reclassification		-	7	-	671	(678)	-
Depreciation charged	7(a)	(8,372)	(7,181)	(583)	(13,528)	-	(29,664)
Foreign exchange adjustments		(231)	(63)	(44)	760	(66)	356
At 31 December 2013		191,102	25,960	1,820	119,252	15,234	353,368

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings:						
At 31 December 2014						
Cost	**25,045**	**11,478**	**119,417**	**107,945**	**12,250**	**276,135**
Accumulated depreciation	**-**	**(2,178)**	**(28,608)**	**(46,277)**	**(2,275)**	**(79,338)**
Net book value	**25,045**	**9,300**	**90,809**	**61,668**	**9,975**	**196,797**
At 31 December 2013						
Cost	25,055	11,478	113,749	106,761	3,789	260,832
Accumulated depreciation	-	(1,933)	(24,708)	(41,991)	(1,098)	(69,730)
Net book value	25,055	9,545	89,041	64,770	2,691	191,102
Movements in net book value						
At 1 January 2014	**25,055**	**9,545**	**89,041**	**64,770**	**2,691**	**191,102**
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**6,952**	**6,952**
Additions	**-**	**-**	**5,674**	**595**	**-**	**6,269**
Reclassification	**-**	**-**	**-**	**597**	**-**	**597**
Depreciation charged	**-**	**(245)**	**(3,903)**	**(4,286)**	**(150)**	**(8,584)**
Foreign exchange adjustments	**(10)**	**-**	**(3)**	**(8)**	**482**	**461**
At 31 December 2014	**25,045**	**9,300**	**90,809**	**61,668**	**9,975**	**196,797**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
Group						
Analysis of land and buildings: (continued)						
Movements in net book value (continued)						
At 1 January 2013	25,222	9,790	93,240	68,367	2,759	199,378
Additions	-	-	134	240	-	374
Disposals	-	-	(47)	-	-	(47)
Depreciation charged	-	(245)	(4,246)	(3,717)	(164)	(8,372)
Foreign exchange adjustments	(167)	-	(40)	(120)	96	(231)
At 31 December 2013	25,055	9,545	89,041	64,770	2,691	191,102

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment:				
At 31 December 2014				
Cost	**29,750**	**24,372**	**46,806**	**100,928**
Accumulated depreciation	**(18,570)**	**(15,686)**	**(30,254)**	**(64,510)**
Net book value	**11,180**	**8,686**	**16,552**	**36,418**
At 31 December 2013				
Cost	19,219	21,640	39,607	80,466
Accumulated depreciation	(14,894)	(14,769)	(24,843)	(54,506)
Net book value	4,325	6,871	14,764	25,960

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment: (continued)				
Movements in net book value				
At 1 January 2014	**4,325**	**6,871**	**14,764**	**25,960**
Acquisition of a subsidiary	**6,729**	**-**	**112**	**6,841**
Additions	**926**	**2,915**	**6,844**	**10,685**
Disposals	**(92)**	**(163)**	**(23)**	**(278)**
Written off	**(4)**	**(18)**	**(4)**	**(26)**
Reclassification	**105**	**502**	**1**	**608**
Depreciation charged	**(836)**	**(1,529)**	**(5,135)**	**(7,500)**
Foreign exchange adjustments	**27**	**108**	**(7)**	**128**
At 31 December 2014	**11,180**	**8,686**	**16,552**	**36,418**
At 1 January 2013	4,567	5,189	17,396	27,152
Additions	454	3,223	2,413	6,090
Disposals	(13)	(16)	(7)	(36)
Written off	(4)	-	(5)	(9)
Reclassification	-	-	7	7
Depreciation charged	(679)	(1,521)	(4,981)	(7,181)
Foreign exchange adjustments	-	(4)	(59)	(63)
At 31 December 2013	4,325	6,871	14,764	25,960

Depreciation expense of the Group of RM22,034,000 (2013: RM20,210,000) has been charged in 'cost of sales' and RM9,608,000 (2013: RM9,454,000) in 'administrative expenses'.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment under hire purchase arrangements

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Plant and machinery	**1,911**	2,248
Motor vehicles	**384**	104
Equipment	**801**	-
	3,096	2,352

The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Acquisition of property, plant and equipment during the financial year	**33,378**	43,514
Less: Accrual of property, plant and equipment	**(1,069)**	-
Less: Acquired through hire purchase arrangement	**(875)**	-
Net cash outflow for the acquisition of property, plant and equipment	**31,434**	43,514

Impairment assessment for property, plant and equipment and capitalised development costs included within intangible assets

An impairment assessment was undertaken in the current financial year for the Group's small volume injectable production plant as the plant has been reporting losses.

The carrying amount of assets totalling RM131.8 million (2013: RM133.3 million) comprising property, plant and equipment and capitalised development costs of work-in-progress (Note 16) included in intangible assets were tested for impairment.

The impairment test was performed by comparing the cash-generating unit's carrying amount with its recoverable amount. The recoverable amount is determined using value-in-use calculations.

Embedded in the development of the cash flow projections are assumptions and estimates derived from a review of the cash-generating unit's operating results, approved business plans, expected market and industry growth rates, as well as, future economic conditions and other data.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment for property, plant and equipment and capitalised development costs included within intangible assets (continued)

(i) Assumptions and approach used

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a seventeen year period that reflects the industry, the estimated remaining useful life of the plant and product lifecycle from development, stability testing, product registration and commercialisation. The sales volume used in the value-in-use calculations is based on the respective product lifecycle and new products under development. The seventeen year projections were based on approved business plan. The business plan reflects the cash-generating unit's expectation of plant capacity and utilisation, revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth.

The key assumptions used in the value-in-use calculations are set out below:

- Business analysis – The cash-generating unit makes assumptions about the demand for its existing products and new products under development in the market place. These assumptions are used to drive the planning assumptions for sales volume taking into consideration the projected timing for development, testing, registration and commercialisation. The cash-generating unit also makes assumptions about cost levels determined based on the average inflation rate in Malaysia. The projected growth rates ranges between 1% to 10% (2013: 1.4% to 5.5%).

- Values of land and buildings – The estimated value of the land of RM42.3 million is based on an independent external valuation and appoximates the present value of the cash flows expected to be received from these assets at the end of seventeen years. The value for the building and other property, plant and equipment is expected to be nil as these assets would be fully depreciated and scrapped at the end of the useful life of seventeen years with minimal recoverable amounts.

- Discount rate – In measuring the recoverable amount based on the value-in-use calculations, pre-tax discount rate of 12.5% (2013: 12.2%) have been applied. The discount rate reflects the prevailing market rate applicable to the industry adjusted for the risk of the assets.

No impairment was required for property, plant and equipment and intangible assets as at 31 December 2014 as their recoverable amounts were in excess of their carrying amounts.

(ii) Impact of possible changes in key assumptions

Assumptions	**Recoverable amount RM'000**	**Carrying amount RM'000**	**Headroom RM'000**
Decrease in sales volume by 10%	134,491	131,779	2,712
Increase in discount rate by 1% to 13.5%	138,909	131,779	7,130

The sensitivity tests did not indicate any impairment when realistic variations are applied to the key assumptions.

13 PREPAID LEASE PAYMENTS

	Note	Group 2014 RM'000	Group 2013 RM'000
Cost		**3,212**	1,689
Accumulated amortisation		**(665)**	(614)
Net book value		**2,547**	1,075

Movements in net book value

	Note	Group 2014 RM'000	Group 2013 RM'000
At 1 January		**1,075**	1,126
Acquisition of a subsidiary	14	**1,480**	-
Amortisation during the financial year	7(a)	**(51)**	(51)
Foreign exchange adjustments		**43**	-
At 31 December		**2,547**	1,075

14 SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares, at cost	**357,554**	357,554
Less: Accumulated impairment	**(378)**	(378)
	357,176	357,176
Amount due from a subsidiary	**79,434**	-
	436,610	357,176

The amount due from a subsidiary of which the Company does not expect repayment in the foreseeable future is considered as part of the Company's investment in the subsidiary.

14 SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 2014	2013
Subsidiaries of the Company				
Idaman Pharma Manufacturing Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM25,000,000	**100**	100
Pharmaniaga Manufacturing Berhad	Manufacture and sale of pharmaceutical products	RM10,000,000	**100**	100
Pharmaniaga LifeScience Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM75,000,000	**100**	100
Pharmaniaga Logistics Sdn. Bhd.	Distribution of pharmaceutical and medical products	RM40,000,000	**100**	100
Pharmaniaga Marketing Sdn. Bhd.	Trading and marketing of pharmaceutical and medical products	RM3,000,000	**100**	100
Pharmaniaga Research Centre Sdn. Bhd.	Conduct research and development of pharmaceutical products	RM100,000	**100**	100
Pharmaniaga Pristine Sdn. Bhd.	Trading and wholesaling of consumer products	RM20,000,050	**100**	100
Insurgress Sdn. Bhd.	Dormant	RM2	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM12,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. *@	Dormant	USD100,000	**100**	100
Pharmaniaga Biovention Sdn. Bhd.	Dormant	RM2	**100**	100

14 SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 2014	2013
Subsidiary of Pharmaniaga Logistics Sdn. Bhd.				
Pharmaniaga Biomedical Sdn. Bhd.	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100
Subsidiaries of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *# ("PT MPI")	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia	Rp72,800,000,000	**55**	55
PT Mega Pharmaniaga *# ("PT MegPha")	Trading and marketing of pharmaceutical and medical products in Indonesia	Rp11,372,400,000	**95**	95
PT Errita Pharma *# ("PT Errita")	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	**75**	-

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

14 SUBSIDIARIES (CONTINUED)

Impairment assessment for cost of investment

As described in Note 12, the Company has undertaken an impairment assessment in the current financial year for its investment in a subsidiary that operates the Group's small volume injectable production plant using the same discounted future cash flows, adjusted for tax and repayment of intercompany balances. In measuring the recoverable amount determined based on value-in-use calculations, discount rate of 11.93% (2013: 12.2%), representing the cost of equity has been applied. Refer to Note 12 for the key assumptions.

No impairment was required for the investment in the subsidiary as at 31 December 2014 as the recoverable amount was in excess of its carrying amount.

The impact of possible changes in key assumptions is as follows:

Assumptions	Recoverable amount RM'000	Carrying amount RM'000	Headroom/ (impairment) RM'000
Decrease in sales volume by 10%	74,000	75,000	(1,000)
Increase in discount rate by 1% to 12.93%	85,900	75,000	10,900

Acquisition of a subsidiary during the financial year

On 18 February 2014, the Group had through its wholly-owned subsidiary, Pharmaniaga International Corporation Sdn. Bhd., completed the acquisition of 75% equity interest in PT Errita Pharma, a manufacturer of pharmaceutical products in Indonesia for a total cash consideration of USD22.32 million (equivalent to RM74.05 million).

The goodwill arising from the acquisition represents the expected synergies from the combination of operations between PT Errita Pharma and the Group by establishing a manufacturing facility for its pharmaceutical products in Indonesia and allowing the Group to sell its products to the Indonesian market through the support from two subsidiaries in Indonesia, namely PT Mega Pharmaniaga, the Group's marketing and sales arm and PT Millennium Pharmacon International Tbk, the Group's distribution arm.

As of the date of this report, management has yet to finalise the purchase price allocation ("PPA") for business combination, as per the requirement under MFRS 3 "Business Combinations". Management has 12 months from the date of the acquisition to complete the PPA exercise. Upon finalisation of the PPA, the Group will recognise any adjustments to the goodwill arising from the acquisition in 2015.

14 SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary during the financial year (continued)

Based on the preliminary assessment, the provisional goodwill on acquisition is estimated at RM48.85 million. The provisional fair value of the net assets acquired and cash flow arising from the acquisition is as follows:

	Carrying values RM'000	Provisional fair values at date of acquisition RM'000
Property, plant and equipment	11,626	14,653
Prepaid lease payments	793	1,480
Inventories	4,854	4,854
Intangible assets	-	18,879
Other receivables	48	48
Cash and cash equivalents	285	285
Other payables	(154)	(154)
Provision for defined benefit plan (Note 31)	(789)	(789)
Deferred tax liabilities (Note 30)	-	(5,648)
Provisional fair value of total identifiable net assets acquired	16,663	33,608
Less: Total provisional fair value of net assets held by non-controlling interest		(8,402)
Identifiable net assets acquired		25,206
Provisional goodwill on acquisition		48,848
Total purchase consideration		74,054
Less: Cash and cash equivalents of subsidiary acquired		(285)
Less: Deposit paid in the previous financial year		(4,505)
Cash outflow of the Group on acquisition of a subsidiary		69,264

Acquisition-related costs of RM228,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

The revenue included in the consolidated statement of comprehensive income since 18 February 2014 contributed by PT Errita Pharma was RM19.56 million. PT Errita Pharma also contributed net loss of RM2.91 million over the same period.

Had PT Errita Pharma been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of RM2,125.37 million and net profit for the financial year of RM92.32 million.

14 SUBSIDIARIES (CONTINUED)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the Group's subsidiaries, PT Millennium Pharmacon International TbK ("PT MPI") and PT Errita Pharma ("PT Errita") that have non-controlling interests that are material to the Group.

Summarised statement of financial position

	PT Errita	PT MPI	
	2014	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**
Current			
Assets	**17,615**	**147,642**	124,620
Liabilities	**(11,942)**	**(110,314)**	(91,407)
Total current net assets	**5,673**	**37,328**	33,213
Non-current			
Assets	**35,551**	**5,461**	5,608
Liabilities	**(6,713)**	**(5,517)**	(4,439)
Total non-current net assets/(liabilities)	**28,838**	**(56)**	1,169
Net assets	**34,511**	**37,272**	34,382
Net assets attributable to non-controlling interests at the end of the financial year	**8,628**	**16,772**	15,472
Summarised income statement			
Revenue	**19,560**	**399,431**	410,779
(Loss)/profit before taxation	**(3,157)**	**3,437**	6,552
Taxation	**244**	**(890)**	(2,998)
Net (loss)/profit for the financial year	**(2,913)**	**2,547**	3,554
Other comprehensive gain/(loss)	**3,077**	**342**	(4,363)
Total comprehensive income/(loss) net of tax for the financial year	**164**	**2,889**	(809)
Total comprehensive income/(loss) allocated to non-controlling interests	**41**	**1,300**	(364)

14 SUBSIDIARIES (CONTINUED)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised statement of cash flows

	PT Errita	PT MPI	
	2014	2014	2013
	RM'000	RM'000	RM'000
Cash generated from/(used in) operations	(323)	6,089	(9,908)
Interest paid	(14)	(5,811)	(3,677)
Tax paid	-	(1,798)	(3,236)
Net cash used in operating activities	(337)	(1,520)	(16,821)
Net cash used in investing activities	(22)	(1,136)	(609)
Net cash generated from financing activities	2,434	15,271	15,034
Net changes in cash and cash equivalents	2,075	12,615	(2,396)
Cash and cash equivalents at beginning of financial year/ date of acquisition	285	5,099	8,728
Foreign exchange differences	8	242	(1,233)
Cash and cash equivalents at end of financial year	2,368	17,956	5,099

15 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	19	19	19	19
Less: Accumulated impairment	(19)	-	(19)	-
	-	19	-	19

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

	Group	
	2014	2013
	RM'000	RM'000
Assets		
Current assets	-	19

15 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of the associate are as follows:

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 2014	2013
Pharmacare Asia Holdings (Cayman) Limited *+	Dormant, pending strike off	USD4,900	49	49

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia
+ Incorporated in Cayman Island

16 INTANGIBLE ASSETS

	Goodwill RM'000	Software RM'000	Rights to supply RM'000	Capitalised development cost of work-in-progress RM'000	Pharmacy manu-facturing licence RM'000	Trade name RM'000	Total RM'000
Group							
Cost							
At 1 January 2014	89,825	3,346	104,981	-	-	-	198,152
Acquisition of a subsidiary (Note 14)	48,848	-	-	-	15,235	3,644	67,727
Additions	-	-	56,493	1,042	-	-	57,535
Written off	-	-	(51,083)	-	-	-	(51,083)
Foreign exchange adjustments	654	192	-	-	445	106	1,397
At 31 December 2014	139,327	3,538	110,391	1,042	15,680	3,750	273,728
Accumulated amortisation							
At 1 January 2014	-	1,681	59,310	-	-	-	60,991
Amortisation charged	-	511	15,729	-	1,566	225	18,031
Written off	-	-	(51,083)	-	-	-	(51,083)
Foreign exchange adjustments	-	118	-	-	31	5	154
At 31 December 2014	-	2,310	23,956	-	1,597	230	28,093
Accumulated impairment							
At 1 January 2014/ 31 December 2014	12,653	-	-	-	-	-	12,653
Net book value							
At 31 December 2014	126,674	1,228	86,435	1,042	14,083	3,520	232,982

16 INTANGIBLE ASSETS (CONTINUED)

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

During the financial year, the rights to supply under the Supply Agreement held by Idaman Pharma Manufacturing Sdn Bhd have expired. Accordingly, the cost and corresponding accumulated amortisation of RM51.1 million respectively had been written off during the financial year.

Amortisation of RM15,729,000 (2013: RM34,338,000) is included in 'cost of sales' and RM2,302,000 (2013: RM577,000) in 'administrative expenses' in profit or loss.

16 INTANGIBLE ASSETS (CONTINUED)

The net cash outflow for the acquisition of intangible assets during the financial year is as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Acquisition of intangible assets during the financial year	**57,535**	15,205
Less: Accrual of intangible assets	**(2,886)**	-
Add: Payment for intangible assets acquired in prior year	**-**	21,083
Net cash outflow on the acquisition of intangible assets	**54,649**	36,288

Impairment tests for goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units (CGUs) are as follows:

	2014	**2013**
	RM'000	**RM'000**
Malaysia		
Trading and distribution	**15,901**	15,901
Manufacturing	**58,205**	58,205
Indonesia		
Trading and distribution	**3,720**	3,066
Manufacturing	**48,848**	-
	126,674	77,172

No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2014 as their recoverable amounts were in excess of their carrying amounts.

The recoverable amounts of the CGUs are determined based on value-in-use ("VIU") calculations. Cash flows are derived based on financial budgets approved by the Directors covering a five-year period except for the manufacturing CGU in Indonesia that covers a period of eleven years that reflects the product lifecycle of the plant. The projections reflect management's expectation of revenue growth, operating costs and margins for the CGUs based on current assessment of market share, expectations of market growth and industry growth.

16 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

The key assumptions used in VIU calculations are as follows:

	Malaysia		Indonesia	
	Trading and distribution	Manufacturing	Trading and distribution	Manufacturing
2014				
Growth rate by product	2.3% to 13.6%	1.1% to 4.1%	15%	(8%) to 15%
Cost growth rate by product	3.1% to 15.0%	3.1% to 5.3%	15%	(8%) to 15%
Pre-tax discount rate	12.3%	12.5%	8.6%	15.3%
2013				
Growth rate by product	10.0%	5.2%	15.2%	-
Cost growth rate by product	3.7% to 5.6 %	(2.0%) to 5.6%	15.1%	-
Pre-tax discount rate	12.2%	12.2%	8.9%	-

(i) Growth rate is the average growth rate by product over the forecast period based on past performance and management's expectation of market development.

(ii) Cost growth is determined based on past performance and expected inflationary factors.

(iii) Contribution margins are projected based on the industry trends, together with the trends observed by the Group.

(iv) Terminal growth rate of 0% that reflects long term growth forecast is applied in the VIU calculations.

(v) Discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

17 INVENTORIES

	Group 2014 RM'000	2013 RM'000
Raw materials	**30,957**	28,651
Packaging materials	**18,176**	14,323
Work-in-progress	**5,247**	7,960
Finished goods	**372,655**	359,597
	427,035	410,531

18 TRADE RECEIVABLES

	Note	Group 2014 RM'000	2013 RM'000
Current			
Trade receivables		**132,746**	145,221
Less: Provision for impairment of trade receivables		**(16,871)**	(16,286)
		115,875	128,935
Amounts due from customers on contracts	32	**1,127**	3,418
		117,002	132,353
Non-current			
Trade receivables		**12,132**	12,817
Less: Provision for impairment of trade receivables		**(1,527)**	(1,768)
		10,605	11,049

The credit terms of trade receivables range from 30 days to 120 days (2013: 30 days to 120 days).

18 TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Neither past due nor impaired	**16,517**	50,645
Past due but not impaired:		
- Less than three months	**72,396**	59,773
- Between three to six months	**16,888**	11,519
- Between six months and one year	**12,552**	8,800
- Greater than one year	**3,763**	4,866
	105,599	84,958
Impaired	**22,762**	22,435
	144,878	158,038

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

As at 31 December 2014, trade receivables of RM105.6 million (2013: RM85.0 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

Trade receivables that are impaired

As at 31 December 2014, trade receivables of RM22.8 million (2013: RM22.4 million) were impaired and provided for. The amount of the provision was RM18.4 million as of 31 December 2014 (2013: RM18.1 million). The individually impaired receivables mainly relate to private customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

18 TRADE RECEIVABLES (CONTINUED)

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

	Note	Group 2014 RM'000	Group 2013 RM'000
At 1 January		**18,054**	13,415
Provision for impairment during the financial year	7(a)	**3,844**	18,388
Written off		**(3,500)**	(13,749)
At 31 December		**18,398**	18,054

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

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

19 OTHER RECEIVABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current				
Other receivables	**4,399**	2,413	**38**	9
Less: Provision for impairment of other receivables	**(108)**	(108)	**-**	-
	4,291	2,305	**38**	9
Prepayments	**19,571**	16,929	**205**	61
Deposits	**2,052**	6,121	**28**	28
	25,914	25,355	**271**	98
Non-current				
Prepayments	**1,450**	-	**1,450**	-

19 OTHER RECEIVABLES (CONTINUED)

Ageing analysis of other receivables

The ageing analysis of other receivables is as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Neither past due nor impaired	**545**	433
Past due but not impaired:		
- Less than three months	**1,113**	1,609
- Between three to six months	**2,406**	209
- Between six months and one year	**-**	34
- Greater than one year	**227**	20
	3,746	1,872
Impaired:		
- Greater than one year	**108**	108
	4,399	2,413

Other receivables that are neither past due nor impaired

Other receivables of the Company of RM38,000 (2013: RM9,000) are neither past due nor impaired.

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

Other receivables that are past due but not impaired

As at 31 December 2014, other receivables (excluding prepayments) of the Group amounting to RM3.7 million (2013: RM1.9 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

Other receivables that are impaired

As at 31 December 2014, other receivables of the Group of RM0.1 million (2013: RM0.1 million) were impaired and provided for. The impaired receivable relate to a private customer, which is currently under dispute.

19 OTHER RECEIVABLES (CONTINUED)

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

	Note	Group 2014 RM'000	Group 2013 RM'000
At 1 January		**108**	2,010
Provision for impairment during the financial year	7(a)	**-**	108
Written off		**-**	(2,010)
At 31 December		**108**	108

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

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company 2014 RM'000	Company 2013 RM'000
Non-current		
Amount due from a subsidiary	**117,730**	104,945
Less: Provision for impairment	**(37,188)**	(45,922)
Amount due from a subsidiary - net	**80,542**	59,023

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

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

(a) Amounts due from subsidiaries (continued)

	Company	
	2014	**2013**
	RM'000	**RM'000**
<u>Current</u>		
Amounts due from subsidiaries	**126,208**	117,881
Less: Provision for impairment	**(27,633)**	(24,131)
Amounts due from subsidiaries - net	**98,575**	93,750

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for an advance to a subsidiary of RM40.9 million (2013: RM48.2 million) that bears interest at 3.90% to 4.05% (2013: 3.90% to 4.73%) per annum.

As at 31 December 2014, out of the total gross amounts due from subsidiaries of RM243.9 million, amounts due from subsidiaries totalling RM160.5 million (2013: RM129.8 million) were impaired. The remaining balances of RM83.4 million (2013: RM93.0 million) were not impaired as there is no expectation of default based on expected future operational cash flows of these subsidiaries. The amount of the provision was RM64.8 million as at 31 December 2014 (2013: RM70.0 million). The individually impaired receivables relate to subsidiaries, for which the expectation of recovery is after 12 months.

Movements of the provision for impairment of amounts due from subsidiaries during the financial year are as follows:

	Company	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	**70,053**	70,053
Write back of impairment during the financial year	**(5,232)**	-
At 31 December	**64,821**	70,053

(b) Amounts due to subsidiaries

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

Dividend income from subsidiaries totalling RM85.0 million (2013: RM67.3 million) during the financial year was set off with amounts due to subsidiaries.

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

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

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**31,392**	23,866	**562**	1,192
Deposits with licensed banks	**590**	9,034	-	-
	31,982	32,900	**562**	1,192

Deposits with licensed banks of the Group as at the end of financial year have an average maturity period of 3 (2013: 3) days and a weighted average effective interest rate of 3.25% (2013: 3.00%) per annum.

Cash and bank balances are deposits held at call with banks and earn no interest except for bank balances amounting to RM2.2 million (2013: RM1.7 million) that earns interest at 2.78% (2013: 2.54%) per annum.

23 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2013: 30 days to 120 days).

24 OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**25,923**	22,018	**2,223**	1,399
Accruals	**24,980**	26,025	**633**	332
	50,903	48,043	**2,856**	1,731

25 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

26 DEFERRED INCOME

	Group 2014 RM'000	Group 2013 RM'000
At beginning of financial year	**-**	-
Issued during the financial year	**855**	-
Recognition of income during the financial year	**(703)**	-
At end of financial year	**152**	-
Analysed as:		
- Current	**152**	-

During the financial year, the Group embarked on the RoyalePharma cash voucher programme for eligible employees within the Pharmaniaga group of companies. Each voucher has a 3 month validity period from the month of issuance. Unutilised expired vouchers will be recognised as income upon expiry.

27 LOANS AND BORROWINGS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current				
Unsecured:				
- Bankers' acceptances	**23,566**	50,805	**-**	-
- Revolving credits	**115,000**	105,000	**65,000**	55,000
- Foreign time loan	**60,968**	43,596	**-**	-
	199,534	199,401	**65,000**	55,000
Secured:				
- Hire purchase	**546**	161	**-**	-
	200,080	199,562	**65,000**	55,000

27 LOANS AND BORROWINGS (CONTINUED)

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current				
Secured:				
- Hire purchase	**1,060**	318	**-**	-
Total				
Bankers' acceptances	**23,566**	50,805	**-**	-
Revolving credits	**115,000**	105,000	**65,000**	55,000
Foreign time loan	**60,968**	43,596	**-**	-
Hire purchase	**1,606**	479	**-**	-
	201,140	199,880	**65,000**	55,000
Hire purchase liabilities				
Minimum payments:				
- Payable within 1 year	**651**	200	**-**	-
- Payable between 1 and 5 years	**1,159**	359	**-**	-
	1,810	559	**-**	-
Less: Future finance charges	**(204)**	(80)	**-**	-
Present value of liabilities	**1,606**	479	**-**	-

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

27 LOANS AND BORROWINGS (CONTINUED)

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

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	Repayment terms >1 year RM'000	Total carrying amount RM'000
Group						
At 31.12.2014						
Bankers' acceptances	**3.50**	**23,566**	**-**	**23,566**	**-**	**23,566**
Revolving credits	**4.02**	**115,000**	**-**	**115,000**	**-**	**115,000**
Foreign time loan	**11.89**	**-**	**60,968**	**60,968**	**-**	**60,968**
Hire purchase	**6.52**	**1,606**	**-**	**546**	**1,060**	**1,606**
		140,172	**60,968**	**200,080**	**1,060**	**201,140**
At 31.12.2013						
Bankers' acceptances	4.97	50,805	-	50,805	-	50,805
Revolving credits	4.12	105,000	-	105,000	-	105,000
Foreign time loan	10.01	-	43,596	43,596	-	43,596
Hire purchase	5.25	479	-	161	318	479
		156,284	43,596	199,562	318	199,880
Company						
At 31.12.2014						
Revolving credits	**4.20**	**65,000**	**-**	**65,000**	**-**	**65,000**
At 31.12.2013						
Revolving credits	3.90	55,000	-	55,000	-	55,000

27 LOANS AND BORROWINGS (CONTINUED)

Foreign time loan

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

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	**138,203**	156,269	**65,000**	55,000
Indonesian Rupiah	**61,245**	43,611	**-**	-
United States Dollar	**1,692**	-	**-**	-
	201,140	199,880	**65,000**	55,000

28 SHARE CAPITAL

	Group and Company	
	2014 RM'000	2013 RM'000
Ordinary shares of RM0.50 each:		
Authorised:		
At beginning and end of the financial year	**300,000**	300,000
Issued and fully paid ordinary shares of RM0.50 each:		
At 1 January	**129,441**	117,674
Issuance of shares	**-**	11,767
At 31 December	**129,441**	129,441

In the previous financial year, the Company undertook a Share Split that entails subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each ("Subdivided shares"). The Company increased its issued and paid up ordinary share capital from RM117,673,969 to RM129,441,366 by way of bonus issue of 23,534,794 new ordinary shares of RM0.50 each to be credited as fully paid-up, on the basis of one (1) bonus share for every ten (10) Subdivided shares held via capitalisation of retained earnings amounting to RM11,767,397.

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

29 RETAINED EARNINGS

Subject to the agreement by the Inland Revenue Board, the Company has tax exempt income to frank the payment of tax exempt dividends up to RM1,666,574 (2013: RM1,666,574).

30 DEFERRED TAXATION

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

	Group	
	2014 RM'000	**2013 RM'000**
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**18,594**	440
- Deferred tax assets to be recovered within 12 months	**2,476**	6,185
	21,070	6,625
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**(26,045)**	(11,984)
- Deferred tax liabilities to be recovered within 12 months	**(2,245)**	(850)
	(28,290)	(12,834)
Deferred tax liabilities (net)	**(7,220)**	(6,209)

30 DEFERRED TAXATION (CONTINUED)

	Note	Group 2014 RM'000	2013 RM'000
At beginning of financial year		**(6,209)**	4,000
Acquisition of a subsidiary	14	**(5,648)**	-
(Charged)/credited to income statement:			
- property, plant and equipment		**4,747**	6,323
- provisions		**1,616**	(5,450)
- unutilised tax losses		**7,540**	(5)
- intangible assets		**(9,459)**	(10,837)
	9	**4,444**	(9,969)
Foreign exchange adjustments		**193**	(240)
At end of financial year		**(7,220)**	(6,209)

Subject to income tax

		2014 RM'000	2013 RM'000
Deferred tax assets (before offsetting):			
- property, plant and equipment		**11,716**	1,076
- provisions		**13,777**	11,968
- unutilised tax losses		**8,012**	472
		33,505	13,516
Offsetting		**(12,435)**	(6,891)
Deferred tax assets (after offsetting)		**21,070**	6,625
Deferred tax liabilities (before offsetting):			
- property, plant and equipment		**(14,781)**	(8,888)
- intangible assets		**(25,944)**	(10,837)
		(40,725)	(19,725)
Offsetting		**12,435**	6,891
Deferred tax liabilities (after offsetting)		**(28,290)**	(12,834)

30 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Unutilised tax losses	**73,945**	90,570	**32,290**	28,473
Unabsorbed capital allowances	**633**	16,550	**29**	27
Deductible temporary differences	**1,040**	5,714	**710**	253
Reinvestment allowances	**5,487**	5,487	**-**	-
	81,105	118,321	**33,029**	28,753
Deferred tax assets not recognised at 24% (2013: 25%)	**19,465**	29,580	**7,927**	7,188

The deductible temporary differences, unabsorbed capital allowances and unutilised tax losses are available indefinitely for offset against future taxable profits of the Group and of the Company, subject to agreement with the Inland Revenue Board. These tax benefits will only be obtained if the Group and the Company derive future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Deferred tax assets have not been recognised in respect of the deductible temporary differences, unabsorbed capital allowances and unutilised tax losses of certain entities within the Group as these entities have a history of losses or are dormant.

During the financial year, two subsidiaries have recognised deferred tax assets amounting to RM13.4 million (2013: Nil) in respect of the Group's unutilised tax losses and unabsorbed capital allowances to the extent that sufficient taxable profit will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised based on the cash-generating unit's operating results, approved business plans, expected market and industry growth rates, as well as, future economic conditions and other data.

31 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiaries in Indonesia operate an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003. The latest actuarial valuation of the plans were carried out on 26 December 2014 and 26 January 2015.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**6,213**	4,789
Analysed as:		
Non-current	**6,213**	4,789
Actuarial gains recognised in the statements of comprehensive income	**201**	1,225
Cumulative actuarial losses recognised in the statements of comprehensive income	**(148)**	(349)

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	**4,789**	6,036
Acquisition of a subsidiary (Note 14)	**789**	-
Charged to income statement (Note 8)	**965**	986
Contributions paid during the financial year	**(386)**	(225)
Recognition of actuarial gains	**(201)**	(1,225)
Foreign exchange adjustments	**257**	(783)
At 31 December	**6,213**	4,789

31 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in the income statements are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Current service cost	**542**	646
Interest cost	**423**	340
Total, included in employee benefit expenses (Note 8)	**965**	986

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

	Group 2014 %	Group 2013 %
Discount rate	**8.5**	8.5
Expected rate of salary increase	**7.0**	7.0

32 AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	Note	Group 2014 RM'000	Group 2013 RM'000
Aggregate costs incurred to-date		**10,744**	37,899
Add: Attributable profits		**4,427**	8,075
		15,171	45,974
Less: Progress billings		**(14,044)**	(42,556)
Amounts due from customers on contracts	18	**1,127**	3,418
Contract revenue recognised during the financial year	4	**58,187**	15,264
Contract costs recognised as expense during the financial year	5	**57,887**	15,275

33 SEGMENTAL REPORTING

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

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

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

Inter-segment revenue are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) Analysis by business segments

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2014				
Revenue				
External sales	2,103,832	19,101	-	2,122,933
Inter-segment sales	5,249	351,036	(356,285)	-
Total revenue	2,109,081	370,137	(356,285)	2,122,933
Results				
Segment results	53,775	95,461	(8,179)	141,057
Finance costs	(16,615)	(1,774)	1,621	(16,768)
Interest income	2,895	17	(1,621)	1,291
Profit before taxation	40,055	93,704	(8,179)	125,580
Taxation				(31,355)
Net profit for the financial year				94,225

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2014				
Other information				
Segment assets	**1,638,258**	**592,667**	**(988,205)**	**1,242,720**
Segment liabilities	**1,122,351**	**324,055**	**(755,721)**	**690,685**
Capital expenditure on property, plant and equipment and intangible assets	**68,124**	**22,789**	**-**	**90,913**
Depreciation of property, plant and equipment	**7,746**	**23,896**	**-**	**31,642**
Amortisation of prepaid lease payments	**51**	**-**	**-**	**51**
Amortisation of intangible assets	**13,919**	**4,112**	**-**	**18,031**
Non-cash expenses other than depreciation and amortisation	**16,137**	**5,728**	**(2,528)**	**19,337**

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

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

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2013				
Other information				
Segment assets	1,313,900	516,434	(719,287)	1,111,047
Investment in an associate	19	-	-	19
Total assets	1,313,919	516,434	(719,287)	1,111,066
Segment liabilities	825,004	283,311	(500,512)	607,803
Capital expenditure on property, plant and equipment and intangible assets	20,884	37,835	-	58,719
Impairment of goodwill in a subsidiary	5,000	-	-	5,000
Depreciation of property, plant and equipment	7,846	21,818	-	29,664
Amortisation of prepaid lease payments	51	-	-	51
Amortisation of intangible assets	7,052	27,863	-	34,915
Non-cash expenses other than depreciation and amortisation	28,641	3,782	(7,140)	25,283

33 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets RM'000
Geographical markets		
2014		
Malaysia	**1,690,955**	**567,239**
Indonesia	**421,045**	**38,090**
Other countries	**10,933**	**-**
	2,122,933	**605,329**
2013		
Malaysia	1,523,050	475,074
Indonesia	410,929	3,896
Other countries	12,660	-
	1,946,639	478,970

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

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

Revenues of approximately RM1.6 billion (2013: RM1.5 billion) are derived from a single external customer. These revenues are attributable to Logistics and Distribution segment. The single external customer with revenue equal or more than 10% of the Group's total revenue is disclosed in Note 37(g).

34 CAPITAL COMMITMENTS

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Authorised and contracted for:		
- acquisition of property, plant and equipment	**19,642**	9,524
- acquisition of intangible assets	**4,230**	-
- acquisition of a subsidiary	**-**	70,200
Authorised but not contracted for:		
- acquisition of property, plant and equipment	**12,153**	36,171

35 CONTINGENT LIABILITIES - UNSECURED

	Group	
	2014	**2013**
	RM'000	**RM'000**
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary	**45,000**	45,000
Bank guarantees for projects and utilities undertaken by subsidiaries	**33,904**	31,668

36 OPERATING LEASE OBLIGATION

Group as a lessee

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

	Group	
	2014 RM'000	2013 RM'000
Within 1 year	**4,828**	3,947
Later than 1 year but not later than 5 years	**1,986**	2,406
	6,814	6,353

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Immediate holding company				
• Management fees	**330**	337	**132**	264
• Corporate and administrative support services	**775**	750	**-**	-

	Group	
	2014 RM'000	2013 RM'000
(b) Subsidiaries of the immediate holding company		
• Travelling and accommodation	**3,079**	1,036
• Rental of warehousing facilities	**1,092**	1,092
• Provision of warehousing services	**1,867**	1,006

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
	2014 RM'000	2013 RM'000
(c) Related parties by way of common directors		
• Purchase of pharmaceuticals products	**106,757**	120,682
• Consultant fees	**-**	48

	Company	
	2014 RM'000	2013 RM'000
(d) Subsidiaries		
• Interest income on advances to a subsidiary	**1,621**	2,317
• Dividend income from subsidiaries	**85,000**	67,250
• Management fees charged to subsidiaries	**6,083**	4,418
(e) Payment of expenses made on behalf:		
• by subsidiaries	**5,079**	582
• for subsidiaries	**(21,833)**	(116,579)

(f) Remuneration of key management personnel

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries, bonuses and allowances	**6,759**	4,291	**1,799**	900
Social contribution cost	**4**	3	**1**	1
Defined contribution plan	**862**	539	**216**	108
Estimated monetary value of benefits by way of usage of Group assets	**187**	205	**38**	65
Fee	**26**	-	**-**	-
Others	**85**	63	**28**	11
	7,923	5,101	**2,082**	1,085

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

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Government-related entities

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

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

	Group	
	2014 RM'000	**2013 RM'000**
Sale of goods to MOH	**1,618,314**	1,461,675
Amount due from MOH	**17,137**	37,347

(h) Significant outstanding balances

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
<u>Amounts due from</u>				
Subsidiaries	**-**	-	**179,117**	152,773
Related companies	**-**	68	**-**	-
<u>Amounts due to</u>				
Immediate holding company	**227**	200	**44**	174
Subsidiaries	**-**	-	**205,679**	131,599
Related companies	**1,192**	1,944	**-**	-

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

38 SIGNIFICANT AND SUBSEQUENT EVENTS

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

(a) On 20 May 2013, the Company signed a Joint Venture Agreement with Modern Healthcare Solutions Company Limited to form and operate a joint venture limited liability company ("JV Company") in the Kingdom of Saudi Arabia. Upon the fulfilment of conditions precedent, the JV Company will be incorporated with each Party having a 50% equity interest in share capital of the JV Company.

On 17 November 2014, the Parties have agreed to further extend the validity of the JV Agreement for another six (6) months until 16 May 2015 or such later date as both Parties shall agree in writing to finalise the fulfilment of conditions precedent.

(b) On 29 August 2013, Pharmaniaga International Corporation Sdn Bhd ("Pharmaniaga Corp"), a wholly-owned subsidiary of the Company and PT Dasar Technologi (collectively referred to as the "Purchasers") had entered into a Binding Agreement ("BA") with Sutjipto Tjengudoro and Hendrijanto Surjosuseno (collectively referred to as the "Sellers") to acquire 40,000 ordinary shares in PT Errita Pharma ("ERRITA") representing the entire issued and paid up share capital of ERRITA for a cash payment of USD18.0 million and cash payment of up to USD6.0 million representing the total liabilities of ERRITA ("the Proposed Acquisition"). Based on the agreement, Pharmaniaga Corp and PT Dasar Technologi would own 75% and 25% equity interest in ERRITA respectively.

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

The final cost incurred by the Purchasers for the acquisition is USD29.8 million, of which the Company shall bear USD22.32 million (equivalent to RM74.05 million) representing 75% of the equity interest in ERRITA. See Note 14 for the details of the acquisition.

(c) A Supply Agreement dated 13 February 2015 was entered into between Pharmaniaga Logistics Sdn Bhd ("PLSB") and Universiti Sains Malaysia ("USM") for the services of purchasing, storing, supplying and delivering to USM drugs and non-drugs as approved by USM ("Approved Products") and as specified therein. The Supply Agreement shall commence from 13 February 2015 and expire on 30 November 2019 ("Contract Period").

The value of the Approved Products to be supplied to USM is not stipulated in the Supply Agreement and is dependent on the actual volume, the agreed unit price of the Approved Products and scope of services rendered from time-to-time throughout the Contract Period.

39 FINANCIAL RISK MANAGEMENT

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

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

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors

(a) Market risk

(i) Foreign currency exchange risk

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

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

As at 31 December 2014, if the functional currency had weakened/strengthened by 5% against US Dollar with all other variables held constant, post tax profit for the financial year would have been RM242,000 (2013: RM51,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of US Dollar - denominated trade payables, other payables, trade receivables and deposits, cash and bank balances.

As at 31 December 2014, if the functional currency had weakened/strengthened by 5% against Euro with all other variables held constant, post tax profit for the financial year would have been RM21,000 (2013: RM166,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Euro - denominated trade and other payables.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2014, if the functional currency had weakened/strengthened by 5% against the IDR with all other variables held constant, the impact on equity would have been approximately RM171,000 (2013: RM312,000) higher/lower on translation upon consolidation. No impact to income statement as the financial assets and liabilities denominated in IDR are in respect of a foreign subsidiary where trade is conducted in the entity's functional currency.

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

	31.12.2014	
	US Dollar RM'000	**Euro RM'000**
Trade receivables	**3,233**	**-**
Deposits, cash and bank balances	**13**	**-**
Trade payables	**(8,086)**	**(64)**
Other payables	**(4)**	**(357)**
	(4,844)	**(421)**

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

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

(ii) Cash flow interest rate risk

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

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

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

As at 31 December 2014, if interest rates on Ringgit Malaysia - denominated borrowings of the Group and the Company had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group and of the Company would have been RM1,399,000 (2013: RM1,412,000) and RM477,000 (2013: RM583,000) higher/lower respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2014, if interest rates on Indonesian Rupiah - denominated borrowings of the Group had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group would have been RM122,000 (2013: RM160,000) higher/lower respectively, mainly as a result of lower/higher interest expense on floating rate borrowings.

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk (continued)

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

(b) Credit risk

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

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

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

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

Credit quality of financial assets

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

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's and the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's and the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group and the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and will not reconcile to the amounts disclosed on the statements of financial position.

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Group				
At 31 December 2014				
Financial assets				
Trade receivables	**115,808**	**1,194**	**3,756**	**8,376**
Other receivables	**6,343**	**-**	**-**	**-**
Deposits, cash and bank balances	**31,982**	**-**	**-**	**-**
Financial liabilities				
Loans and borrowings	**201,570**	**485**	**997**	**162**
Trade payables	**396,459**	**-**	**-**	**-**
Other payables	**50,903**	**-**	**-**	**-**
Amount due to immediate holding company	**227**	**-**	**-**	**-**
Amounts due to related companies	**1,192**	**-**	**-**	**-**
At 31 December 2013				
Financial assets				
Trade receivables	131,678	675	1,200	11,617
Other receivables	8,426	-	-	-
Deposits, cash and bank balances	32,900	-	-	-
Amounts due from related companies	68	-	-	-
Financial liabilities				
Loans and borrowings	200,988	150	298	61
Trade payables	337,417	-	-	-
Other payables	48,043	-	-	-
Amount due to immediate holding company	200	-	-	-
Amounts due to related companies	1,944	-	-	-

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Company				
At 31 December 2014				
Financial assets				
Other receivables	**66**	**-**	**-**	**-**
Deposits, cash and bank balances	**562**	**-**	**-**	**-**
Amounts due from subsidiaries	**243,938**	**-**	**-**	**-**
Financial liabilities				
Loans and borrowings	**65,236**	**-**	**-**	**-**
Other payables	**2,856**	**-**	**-**	**-**
Amount due to immediate holding company	**44**	**-**	**-**	**-**
Amounts due to subsidiaries	**205,679**	**-**	**-**	**-**
At 31 December 2013				
Financial assets				
Other receivables	37	-	-	-
Deposits, cash and bank balances	1,192	-	-	-
Amounts due from subsidiaries	222,826	-	-	-
Financial liabilities				
Loans and borrowings	55,179	-	-	-
Other payables	1,731	-	-	-
Amount due to immediate holding company	174	-	-	-
Amounts due to subsidiaries	131,599	-	-	-

Capital risk management

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

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

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

The gearing ratios are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total loans and borrowings (Note 27)	**201,140**	199,880
Total equity	**552,035**	503,263
Gearing ratio (times)	**0.4**	0.4

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

- The ratio of net debt to tangible net worth is to be no more than 1.0 time during the entire tenure of the borrowing facility;
- The ratio of net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") is to be no more than 3 to 1;
- The ratio of EBITDA to interest expense is to be no less than 5 to 1;
- Current ratio of a minimum of 1.1;
- The interest bearing debt over equity ratio of not more then 2; and
- The ratio of Debt Service Coverage of a subsidiary is to be a minimum of 1.25.

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

Included within bankers' acceptances (unsecured) of the Group (Note 27) is RM1.7 million in respect of borrowings drawndown by PT Errita Pharma, a new subsidiary acquired by the Group during the financial year (Note 14). The borrowings subject the subsidiary to financial covenants such as current ratio, interest bearing debt over equity ratio and debt service coverage ratio which require the subsidiary to have positive EBITDA. However, as at 31 December 2014, the subsidiary was in a negative EBITDA position. The subsidiary has since applied for waiver on the debt service coverage ratio covenant to the bank. The Directors are of the view that, based on management's discussions with the bank, they will have a reasonable expectation to be successful in obtaining the waiver of the covenant and there is no material impact of the non-compliance to the Group and the subsidiary.

Other than the above, there is no other non-compliance of financial covenants for borrowings of the Group and the Company during the financial year.

Fair value estimation

The carrying values of financial assets and financial liabilities of the Group and of the Company at the reporting date approximated their fair values.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2015.

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

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

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits of the Company and its subsidiaries:				
- realised profits	**405,063**	373,704	**203,239**	181,562
- unrealised losses	**(8,819)**	(10,209)	**-**	-
	396,244	363,495	**203,239**	181,562
Less: Consolidation adjustments	**(9,194)**	(12,924)	**-**	-
Total retained profits	**387,050**	350,571	**203,239**	181,562

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

Additional **Disclosures**

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds received during the current financial year.

2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2014.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2014.

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

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2014.

5. VARIATION IN RESULT

There were no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2014.

6. PROFIT GUARANTEE

There was no profit guarantee given by the Company and its Subsidiaries during the financial year ended 31 December 2014.

7. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2014 or entered into since the end of the previous financial year.

8. DIRECTORS' DISCLOSURES

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

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

Analysis of **Shareholdings**

as at 30 January 2015

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	605	10.599	14,940	0.006
100 to 1,000	2,167	37.964	1,011,270	0.391
1,001 to 10,000	2,344	41.065	8,228,754	3.179
10,001 to 100,000	500	8.760	13,002,716	5.023
100,001 to less than 5% of Issued Shares	90	1.577	58,504,153	22.598
5% and above of Issued Shares	2	0.035	178,120,899	68.803
TOTAL	5,708	100.000	258,882,732	100.000

30 LARGEST SHAREHOLDERS (as per the Register of Depositors)

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	Boustead Holdings Berhad	146,110,415	56.438
2	Lembaga Tabung Angkatan Tentera	32,010,484	12.364
3	Che Lodin bin Wok Kamaruddin	9,382,837	3.624
4	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	3,265,400	1.261
5	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Che Lodin bin Wok Kamaruddin	3,082,428	1.191
6	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt an for Khazanah Nasional Berhad (VCAM)	2,826,800	1.092
7	HSBC Nominees (Asing) Sdn Bhd HSBC -FS for Asia Discovery Emerging Companies Master Fund Pte. Ltd	2,500,000	0.966
8	Kumpulan Wang Persaraan (Diperbadankan)	2,453,800	0.948
9	Dasar Technologies Sdn Bhd	2,200,000	0.850
10	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Au Kwan Seng	2,012,000	0.778
11	Citigroup Nominees (Asing) Sdn Bhd UBS AG for APS Asia Pacific Master Hedge Fund	1,906,300	0.736

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
12	Amanah Trustees Berhad Public Islamic Sector Select Fund	1,771,600	0.684
13	Amanahraya Trustee Berhad Affin Hwang Principled Growth Fund	1,181,300	0.456
14	HSBC Nominees (Asing) Sdn Bhd TNTC for Aps Fund	1,019,300	0.394
15	Lembaga Tabung Haji	1,014,000	0.392
16	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Au Kwan Seng (E-KLC)	1,000,000	0.386
17	Chinchoo Investment Sdn. Berhad	913,149	0.353
18	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	828,100	0.320
19	Yong Siew Yoon	811,364	0.313
20	Amanahraya Trustees Berhad Affin Hwang Growth Fund	753,680	0.291
21	Gan Teng Siew Realty Sdn. Berhad	657,564	0.254
22	Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund	618,300	0.239
23	HSBC Nominees (Asing) Sdn Bhd BNY LUX for Asia Pacific Equity Income Fund (Blackrock Gbl F)	608,660	0.235
24	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Yayasan Warisan Perajurit	596,200	0.230
25	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	555,660	0.215
26	Gan Yen Cheng	550,000	0.213
27	Key Development Sdn. Berhad	531,759	0.205
28	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Small Cap Equity Fund, LP	513,700	0.198
29	HSBC Nominees (Asing) Sdn Bhd Exempt an for Skandinaviska Enskilda Banken AB (Swedish Clients)	511,900	0.198
30	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial	488,200	0.189
	Total	**222,674,900**	**86.013**

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	No. of Shares Held Direct	%	Indirect	%
1	Boustead Holdings Berhad	146,110,415	56.438	-	-
2	Lembaga Tabung Angkatan Tentera	32,010,484	12.364	-	-

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

No.	Name of Directors	No. of Shares Held Direct	%	Indirect	%
1	Che Lodin Wok Kamaruddin	9,382,837	3.624	-	-
2	Scotia Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Che Lodin bin Wok Kamaruddin)	3,082,428	1.191	-	-
3	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Dato' Che Lodin bin Wok Kamaruddin) (MM0197)	34,883	0.013	-	-
4	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ebinesan @ Daniel a/l Gnanakkan (PBCL-0G0048)	400,000	0.155	-	-
5	Farshila binti Emran	207,000	0.080	-	-
6	Izzat Othman	99,000	0.038	-	-

Group **Property List**

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2014 (RM'000)	Date of Revaluation / Acquisition
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang, Selangor Darul Ehsan **Industrial Premises:** No 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	A parcel of industrial land with a detached industrial building comprising a 3-storey office annexed at the front, a single storey office building, automated storage retrieval system (ASRS) warehouse, a surau, a guard house and an inflammable store	23,594	Freehold	20	26,672	14 March 2005
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang, Selangor Darul Ehsan **Industrial Premises:** No 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	A parcel of industrial land with a single storey laboratory building, a chiller plant building and a guard house	17,414	Freehold	17	14,597	14 March 2005
HS (D) 145264, PT 70920, Mukim Kapar, Daerah Klang, Selangor **Shoplot:** No 25, Jalan Keluli 7/109, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	3-storey shoplot	277	Freehold	0	3,570	3 October 2014
HS (D) 145263, PT 70919, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan **Shoplot:** No 23, Jalan Keluli 7/109, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan	3-storey shoplot	277	Freehold	0	2,070	3 October 2014

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2014 (RM'000)	Date of Revaluation / Acquisition
Geran 44309 of Lot 7 of Mukim Pekan Puchong Perdana and District of Petaling, Selangor Darul Ehsan **Industrial Premises:** No 7, Jalan PPU 3, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan	An industrial land with a main 2-storey detached factory industrial building with a 3-storey office/laboratory section at the back and a single storey warehouse section at the front, a cafeteria/surau building, a fire pump room/cold water pump room, an inflammable store/ refuse chamber and a guard house	28,041	Freehold	14	58,542	21 August 2001
Lot PT 1157, H.S. (M) 9726 Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **Factory:** No 11A, Jalan P/1, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A parcel of industrial land with 3 industrial buildings, an office/workshop, a canteen, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	29	18,613	28 August 1991
Lot 1024, Block 7, Muara Tebas Land, District of Kuching, Sarawak **Industrial Premises:** Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak	A parcel of industrial land with a 2-storey office, a warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	18	6,598	3 November 2004
Country Lease 015377554, Kota Kinabalu, Sabah **Industrial Premises:** Lorong Kurma, Kolombong Industrial Centre, KM 9, Off Jalan Tuaran 88450 Kolombong Kota Kinabalu, Sabah	A parcel of industrial land with a 2-storey office, a warehouse and a guard house	6,111	Leasehold of 66 years, expiring on 21 December 2033	12/36	3,591	21 January 2002

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2014 (RM'000)	Date of Revaluation / Acquisition
H.S. (M) 1479, H.S. (M) 1480 and H.S. (M) 1481 Lot No 3806, 3807 and 3808, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang **Industrial Premises:** Nos 1,3 & 5 Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Seberang Perai, Pulau Pinang	3 contiguous 1 1/2 semi detached warehouse with office	2,175	Freehold	17	1,081	11 November 1998
Flat Nos 401-405 3rd Floor, Block 5, Jalan 1/9 Section 1, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	5 units of 2-bedrooms flat for staff lodging	296	Leasehold of 99 years, expiring on 31 March 2095	21	*0	10 June 1993 and 19 July 1995
Flat Nos 501, 503, 505 and 507, 4th Floor, Block 10, Jalan 6C/11, Section 16, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	4 units of 2-bedrooms flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	21	*0	11 June 1993
Lot PT 10908, H.S. (M) 9124, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **House:** No 5, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	28	*0	4 September 1987
Lot PR 10911, H.S. (M) 9127, Mukim of Kajang, Hulu Langat, Selangor Darul Ehsan **House:** No 11, Jalan 4/4E, Section 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	28	*0	4 September 1987

** Below RM500*

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2014 (RM'000)	Date of Revaluation / Acquisition
Lot 0111111, No HM. 144/1977 & Lot PT 0000102, No HM 237/1984, Mukim Sungai Pasir, Sungai Petani, Kedah Darul Aman **Factory:** Lot 24 & 25, Jalan Perusahaan Lapan, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, purified water system and waste water treatment	Building 11,256 Land 40,469	Leasehold of 99 years, expiring on 1 January 2083	37	14,392	6 March 2005
Lot 276, 277 & 278, District of Mukim of Bandar Seri Iskandar, Perak Tengah, Perak Darul Ridzuan **Factory :** Lot 120, Taman Farmaseutikal, 32610 Bandar Seri Iskandar, Perak Darul Ridzuan	A parcel of building land built upon a defected industrial building with a 2-storey office building, prayer room, canteen and warehouse, penicillin and non penicillin production plant buildings, laboratory buildings, a chiller plant building, boiler house, TNB sub-station and a guard house	Building 1,029 Land 60,754	Leasehold of 99 years, expiring on 13 March 2100	18	28,738	1 June 2009
Blok D. 20 & 21 Ruko Grand Mal, Bekasi, Jakarta, Indonesia	Shop lots	Building 453 Land 136	Leasehold 15 years to 24 September 2013 (in progress for renewal)	12	120	13 October 2003
Jalan Depsos, 67 - 70 Bintaro, Jaksel, Jakarta, Indonesia	Office and warehouse	Building 965 Land 1,860	Leasehold 30 years to 7 July 2028	15	821	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan, 152 Surabaya, Indonesia	Office and warehouse	Building 820 Land 1,133	Leasehold 5 years to 24 July 2016	33	58	4 November 1971 Revaluation 2001
Jalan Peundeuy R.T.04 Rw 07, Desa Bojongsalam, Kecamatan Rancaekek, Kabupaten Bandung, Indonesia	An industrial land with office, warehouse, guard house and electricity sub-station	16,492	Leasehold ranging from 20 to 30 years to 1 October 2043	30	8,880	8 May 1994

* *Below RM500*

Group Corporate **Directory**

List of Companies	Address
Pharmaniaga Berhad **Pharmaniaga Logistics Sdn. Bhd.** **Pharmaniaga Marketing Sdn. Bhd.** **Pharmaniaga Research Centre Sdn. Bhd.** **Pharmaniaga Pristine Sdn. Bhd.** **Pharmaniaga Biomedical Sdn. Bhd.** **Pharmaniaga International Corporation Sdn. Bhd.** **Pharmaniaga Biovention Sdn. Bhd.** **Insurgress Sdn. Bhd.**	No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan Tel : +603-3342 9999 Fax: +603-3341 7777 **Mailing Address** P.O. Box 2030, Pusat Bisnes Bukit Raja, 40800 Shah Alam, Selangor Darul Ehsan
Pharmaniaga Manufacturing Berhad	11A Jalan P/1, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan Tel : +603-8925 7880 Fax: +603-8925 6177
Idaman Pharma Manufacturing Sdn. Bhd. (Sungai Petani Plant)	Lot No. 24, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman Tel : +604-4213 011 Fax: +604-4215 731
Idaman Pharma Manufacturing Sdn. Bhd. (Seri Iskandar Plant)	Lot 120, Taman Farmaseutikal, Bandar Seri Iskandar, 32610 Seri Iskandar, Perak Darul Ridzuan Tel : +605-371 2020 Fax: +605-371 1940/1950
Pharmaniaga LifeScience Sdn. Bhd.	Lot 7, Jalan PPU 3, Taman Perindustrian Puchong Utama, 47100 Puchong, Selangor Darul Ehsan Tel : +603-8061 2006 Fax: +603-8061 2875

List of Companies	Address
Pharmaniaga Logistics Sdn. Bhd. (Juru Branch)	1, 3 & 5, Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Simpang Ampat, Seberang Prai, Pulau Pinang Tel : +604-508 3330/1/2 Fax: +604-508 3111
Pharmaniaga Logistics Sdn. Bhd. (Kuching Branch)	Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak Tel : +6082-432 800 Fax: +6082-432 806
Pharmaniaga Logistics Sdn. Bhd. (Kota Kinabalu Branch)	Lorong Kurma, Kolombong Industrial Centre, KM 9 Off Jalan Tuaran, 88450 Kolombong, Kota Kinabalu, Sabah Tel : +6088-439 188 Fax: +6088-437 288
PT Millennium Pharmacon International Tbk (HQ)	Panin Bank Centre, 9th Floor, Jl. Jenderal Sudirman, Senayan, Jakarta, 10270 Indonesia Tel : +62-21 727 88906/7 Fax: +62-21 722 8090
PT Mega Pharmaniaga	Komplek Perkantoran Graha Elok Mas, Blok HH No. 83 Jl. Panjang, Kebon Jeruk, Jakarta, 11510 Indonesia Tel : +62-21 295 08987 Fax: +62-21 295 08988
PT Errita Pharma	Jalan Peundeuy, RT/RW 04/07, Desa Bojongsalam, Kecamatan Rancaekek, Kabupaten Bandung, Indonesia Tel : +62-22 794 9062/9064 Fax: +62-22 794 9063

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Pharmaniaga Berhad (467709-M) (the Company) will be held at The Royale Chulan Damansara Hotel, The Royale Ballroom, 2nd Floor, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 31 March 2015 at 10.00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1 To receive and consider the audited financial statements for the financial year ended 31 December 2014, and the Report of the Directors. **Resolution 1**

2 To re-elect the following Directors of the Company who retire pursuant to Article 88 of the Company's Articles of Association:
(a) Dato' Farshila Emran **Resolution 2**
(b) Daniel Ebinesan **Resolution 3**

3 To approve the increase of Directors' fees and payment of up to RM532,000 for the financial year ended 31 December 2014. (2013 : RM324,000) **Resolution 4**

4 To re-appoint Auditors, Messrs. PricewaterhouseCoopers and to authorise the Directors to determine their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

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

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

6 **Ordinary Resolution** **Resolution 7**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its Subsidiaries (Pharmaniaga Group) to enter into all transactions involving the Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 9 March 2015 provided that such transactions are:

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

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

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders.

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

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

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

(iii) revoked or varied by resolution passed by the shareholders in a General Meeting;

whichever is the earlier.

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

7 To transact any other ordinary business of the Company.

By Order of the Board

TASNEEM MOHD DAHALAN (LS 0006966)
Secretary

Kuala Lumpur
9 March 2015

Notes

(a) A member of Pharmaniaga entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him/her. A proxy may but need not be a member of Pharmaniaga and a member may appoint any person to be his/her proxy. The instrument appointing a proxy must be lodged at the Share Registrar's Office or Registered Office not less than forty-eight hours before the time of the Meeting.

(b) Only members registered in the Record of Depositors as at 24 March 2015 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

(c) The ordinary resolution proposed under item 5 above, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier. The mandate sought under item 5 above is a renewal of an existing mandate.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Sixteenth Annual General Meeting held on 2 April 2014. This authority will lapse at the conclusion of the Seventeenth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

(d) The proposed resolution 7, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Statement Accompanying Notice of
Annual General Meeting

Statement Accompanying Notice of the Seventeenth Annual General Meeting pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Directors who are standing for re-election at the Annual General Meeting

Directors standing for re-election pursuant to Article 88 of the Company's Articles of Association:

a) Dato' Farshila Emran
b) Daniel Ebinesan

Details of attendance of Board Meetings of Directors seeking re-election are set out on page 65 of the Annual Report.

Profile of Directors standing for re-election are set out on pages 13 and 14 of the Annual Report, while other disclosures and details of their interest in securities are set out on pages 184 and 187 respectively, of the Annual Report.

2. Date, time and place of the Annual General Meeting

The Seventeenth Annual General Meeting of Pharmaniaga Berhad will be held as follows:

Date : Tuesday, 31 March 2015
Time : 10.00 a.m.
Place : The Royale Chulan Damansara Hotel
The Royale Ballroom, 2nd Floor
No. 2, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

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Form of Proxy

PHARMANIAGA BERHAD (467709-M)
(Incorporated in Malaysia)

I/We ______________________________ NRIC (New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member/members of **PHARMANIAGA BERHAD**, hereby appoint * ______________________

______________________________ NRIC (New) No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

and/or ______________________________ NRIC (New) No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at The Royale Chulan Damansara Hotel, The Royale Ballroom, 2nd Floor, No.2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 31 March 2015 at 10.00 a.m. and at any adjournment thereof, to vote as indicated below:

No	Resolution	For	Against
1	To receive and consider the audited financial statements for the financial year ended 31 December 2014, and the Report of the Directors.		
2	To re-elect Dato' Farshila Emran, who retires as a Director pursuant to Article 88 of the Company's Articles of Association.		
3	To re-elect Daniel Ebinesan, who retires as a Director pursuant to Article 88 of the Company's Articles of Association.		
4	To approve the payment of Directors' fees of up to RM532,000 for the financial year ended 31 December 2014.		
5	To re-appoint Auditors, Messrs. PricewaterhouseCoopers and to authorise the Directors to determine their remuneration.		
6	Ordinary Resolution Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965.		
7	Ordinary Resolution Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

Dated this .... day of .... 2015.

....
Signature of Member/Common Seal

No. of ordinary shares held:	
CDS Account No.:	
Proportion of shareholdings to be represented by proxies	First Proxy : ______% Second Proxy : ______%
Contact No.:	

NOTES :

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him/her. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name, address and NRIC No. of the person of your choice and at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.

3. Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respects of each omnibus account it holds.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. The Annual Report and Proxy Form are available for access and download at the Company's website at www.pharmaniaga.com

5. Only members registered in the Record of Depositors as at 24 March 2015 shall be eligible to attend the Meeting or appoint a proxy to attend and vote on his/her behalf.

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STAMP

Share Registrar

Tricor Investor Service Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

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