Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2017	Current Period		Cumulative Period	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	**517,967**	531,796	**1,136,261**	1,090,991
Cost of sales	**(450,256)**	(447,112)	**(974,130)**	(922,192)
Gross profit	**67,711**	84,684	**162,131**	168,799
Operating expenses	**(51,202)**	(55,577)	**(111,551)**	(105,930)
Finance costs	**(6,414)**	(7,849)	**(12,795)**	(15,391)
Interest income	**55**	229	**142**	547
Profit before zakat and taxation	**10,150**	21,487	**37,927**	48,025
Zakat	**(100)**	(200)	**(100)**	(200)
Taxation	**(299)**	(5,646)	**(8,818)**	(13,714)
Profit for the period	**9,751**	15,641	**29,009**	34,111
Profit for the period attributable to:				
Owners of the parent	**9,520**	14,995	**28,443**	33,374
Non-controlling interests	**231**	646	**566**	737
Profit for the period	**9,751**	15,641	**29,009**	34,111
Earnings per share - sen				
- Basic	**3.67**	5.79	**10.97**	12.89
- Diluted	**3.66**	5.79	**10.94**	12.89

The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2017	**Current Period**		**Cumulative Period**	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the period	**9,751**	15,641	**29,009**	34,111
Other comprehensive (loss)/income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**(3,813)**	5,219	**(4,608)**	(2,644)
Recognition of actuarial losses	**(367)**	(4)	**(344)**	(4)
	(4,180)	5,215	**(4,952)**	(2,648)
Total comprehensive income for the period	**5,571**	20,856	**24,057**	31,463
Attributable to:				
Owners of the parent	**6,388**	18,755	**24,862**	31,843
Non-controlling interests	**(817)**	2,101	**(805)**	(380)
Total comprehensive income for the period	**5,571**	20,856	**24,057**	31,463

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**427,986**	420,465
Prepaid lease payments	**2,485**	2,616
Intangible assets	**349,925**	342,796
Receivables	**12,118**	12,236
Deferred tax assets	**19,534**	28,298
	812,048	806,411
Current assets		
Inventories	**454,466**	532,211
Receivables	**362,943**	256,289
Tax recoverable	**29,893**	17,743
Deposits, cash and bank balances	**32,019**	70,456
	879,321	876,699
TOTAL ASSETS	**1,691,369**	1,683,110
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**143,954**	129,688
Reserves	**397,250**	400,943
Shareholders' equity	**541,204**	530,631
Non-controlling interests	**28,017**	28,776
Total equity	**569,221**	559,407
Non-current liabilities		
Loans and borrowings	**747**	248
Payables	**547**	547
Deferred tax liabilities	**47,908**	48,105
Provision for defined benefit plan	**9,267**	8,593
Deferred income	**4,096**	4,190
	62,565	61,683
Current liabilities		
Payables	**498,825**	442,757
Amount due to immediate holding company	**689**	472
Current tax liabilities	**106**	1,703
Deferred income	**242**	424
Loans and borrowings	**559,721**	616,664
	1,059,583	1,062,020
Total liabilities	**1,122,148**	1,123,703
TOTAL EQUITY AND LIABILITIES	**1,691,369**	1,683,110

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							
	<------------------- Non-distributable ------------------->				Distributable		Non-	
For the period ended 30 June 2017	**Share Capital**	**Share Premium**	**Exchange Reserve**	**Share Reserve**	**Retained Earnings**	**Total**	**controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	**129,688**	**14,266**	**15,319**	**5,821**	**365,537**	**530,631**	**28,776**	**559,407**
Adjustments for effects of Companies Act 2016 (Note a)	**14,266**	**(14,266)**	**-**	**-**	**-**	**-**	**-**	**-**
- Net profit for the financial period	**-**	**-**	**-**	**-**	**28,443**	**28,443**	**566**	**29,009**
- Other comprehensive loss	**-**	**-**	**(3,399)**	**-**	**(182)**	**(3,581)**	**(1,371)**	**(4,952)**
Total comprehensive (loss)/income for the financial period	**-**	**-**	**(3,399)**	**-**	**28,261**	**24,862**	**(805)**	**24,057**
<u>Transactions with owners</u>								
Issuance of shares by a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**20**
Adjustments arising from the finalisation of purchase price allocation	**-**	**-**	**-**	**-**	**-**	**-**	**282**	**282**
Share options granted under Share Option Plan	**-**	**-**	**-**	**3,106**	**-**	**3,106**	**-**	**3,106**
Shares granted under Long Term Incentive Plan	**-**	**-**	**-**	**761**	**-**	**761**	**-**	**761**
Dividends	**-**	**-**	**-**	**-**	**(18,156)**	**(18,156)**	**(256)**	**(18,412)**
Total transactions with owners for the financial period	**-**	**-**	**-**	**3,867**	**(18,156)**	**(14,289)**	**46**	**(14,243)**
At 30 June 2017	**143,954**	**-**	**11,920**	**9,688**	**375,642**	**541,204**	**28,017**	**569,221**
At 1 January 2016	129,441	11,751	7,842	-	380,375	529,409	30,585	559,994
- Net profit for the financial period	-	-	-	-	33,372	33,372	(380)	32,992
- Other comprehensive loss	-	-	(1,529)	-	-	(1,529)	-	(1,529)
Total comprehensive (loss)/income for the financial period	-	-	(1,529)	-	33,372	31,843	(380)	31,463
<u>Transactions with owners</u>								
Accretion of interest in a subsidiary	-	-	-	-	(8,549)	(8,549)	(3,425)	(11,974)
Acquisition of a subsidiary	-	-	-	-	-	-	89	89
Dividends	-	-	-	-	(28,815)	(28,815)	-	(28,815)
Total transactions with owners for the financial period	-	-	-	-	(37,364)	(37,364)	(3,336)	(40,700)
At 30 June 2016	129,441	11,751	6,313	-	376,383	523,888	26,869	550,757

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM14,266,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 30 June 2017

	2017	2016
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**1,050,191**	1,003,557
Cash payments to suppliers and employees	**(958,823)**	(1,105,281)
Net cash generated from/(used in) operations	**91,368**	(101,724)
Interest paid	**(12,518)**	(14,870)
Tax paid	**(13,476)**	(14,280)
Zakat paid	**(100)**	(200)
Interest received	**109**	493
Net cash generated from/(used in) operating activities	**65,383**	(130,581)
Investing Activities		
Acquisition of a subsidiary	**-**	(14,773)
Advance to a corporate shareholder of a subsidiary	**-**	(17,960)
Purchase of property, plant and equipment	**(15,472)**	(16,857)
Purchase of intangible assets	**(16,744)**	(16,501)
Proceeds from disposal of property, plant and equipment	**44**	13
Net cash used in investing activities	**(32,172)**	(66,078)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(18,156)**	(28,815)
- non-controlling interests of a subsidiary	**(256)**	-
Net (repayment)/drawdown of borrowings	**(52,723)**	224,799
Net cash (used in)/generated from financing activities	**(71,135)**	195,984
Net decrease in cash and cash equivalents	**(37,924)**	(675)
Effects of exchange rate changes	**(513)**	(307)
Cash and cash equivalent at beginning of period	**70,456**	22,518
Cash and cash equivalent at end of period	**32,019**	21,536
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**32,019**	21,536

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following improvements and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2017.

A2.1 Standards, amendments to published standards and interpretations that are effective

On 1 January 2017, the Group applied the following improvements and amendments to published standards:-

Amendments to MFRS 107 ‘Statement of Cash Flows’	Disclosure Initiative
Amendments to MFRS 112 ‘Income Taxes’	Recognition of Deferred Tax Assets for Unrealised Losses

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

A2.2 Standards and amendments that have been issued but not yet effective

At the date of authorisation of these interim financial statements, the following standards and amendments have been issued and are effective for financial year beginning after 1 January 2018 and have not been applied by the Group:

a) Financial year beginning on/after 1 January 2018

i) MFRS 15 ’Revenue from Contracts with Customers’ replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:
- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligation; and
- Recognise the revenue as each performance obligation is satisfied

Key provisions of the new standard are as follows:
- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

A2. Significant Accounting Policies (Cont'd)

A2.2 Standards and amendments that have been issued but not yet effective (cont'd)

a) Financial year beginning on/after 1 January 2018 (cont'd)

ii) MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

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.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

iii) Amendments to MFRS 2 'Share-based Payment' deals with classification and measurement of share-based payment transactions. The amendments provides specific guidance on how to account for the following situations:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

iv) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

This Interpretation applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions. This Interpretation also provides guidance how to determine "the date of transaction" when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Intepretation 22 retrospectively or prospectively.

b) Financial year beginning on/after 1 January 2019

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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

A3. Audit report in respect of the 2016 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2016 was not qualified.

A4. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the period under review.

A6. Change in Estimates

Other than as disclosed in the audited financial statements for the financial year ended 31 December 2016, there were no other material changes in estimates of amounts reported in the current financial period or previous financial year.

A7. Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

A8. Dividends

On 17 March 2017, the Company paid a fourth interim dividend of 3.0 sen (2015: 7.0 sen) per share in respect of the financial year ended 31 December 2016 amounting to RM7.8 million (2015: RM18.1 million).

On 7 June 2017, the Company paid a first interim dividend of 4.0 sen (2016: 4.0 sen) per share in respect of the financial year ending 31 December 2017 amounting to RM10.4 million (2016: RM10.4 million).

For the second quarter, the Directors have declared a second interim dividend of 4.0 sen (2016: 5.0 sen) per share in respect of the financial year ending 31 December 2017. The dividend will be paid on 15 September 2017 to shareholders registered in the Register of Members at the close of business on 4 September 2017.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2017					
Revenue					
External revenue	783,713	1,465	351,083	-	1,136,261
Inter-segment revenue	-	92,144	-	(92,144)	-
Total revenue	783,713	93,609	351,083	(92,144)	1,136,261
Results					
Segment results	12,270	34,665	5,759	-	52,694
Finance costs	(8,175)	(768)	(4,286)	434	(12,795)
Interest income	182	378	16	(434)	142
	4,277	34,275	1,489	-	40,041
Unallocated corporate expenses					(2,114)
Profit before zakat and taxation					37,927
Zakat					(100)
Taxation					(8,818)
Profit for the period					29,009
2016					
Revenue					
External revenue	772,721	1,565	316,705	-	1,090,991
Inter-segment revenue	-	191,367	-	(191,367)	-
Total revenue	772,721	192,932	316,705	(191,367)	1,090,991
Results					
Segment results	3,984	55,349	6,175	-	65,508
Finance costs	(8,283)	(876)	(6,841)	609	(15,391)
Interest income	793	345	18	(609)	547
	(3,506)	54,818	(648)	-	50,664
Unallocated corporate expenses					(2,639)
Profit before zakat and taxation					48,025
Zakat					(200)
Taxation					(13,714)
Profit for the period					34,111

A9. Operating segments (Cont'd)

Effective 1 January 2017, the Group's segmental reporting discloses Indonesia Division, comprising all Indonesian subsidiaries, as a separate segment, whose operating results are now regularly reviewed by the Group for better allocation of resources and performance assessment.

Other than the reclassification of all Indonesian subsidiaries that were previously reported under Logistics and Distribution and Manufacturing divisions respectively, the segmental information is consistent with those of the audited financial statements for the year ended 31 December 2016. Accordingly, the corresponding prior period amounts have been restated following the change in reporting segments.

A10. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current financial period.

A11. Subsequent Event

On 10 August 2017, the Company issued 443,900 new ordinary shares pursuant to the Company's Long Term Incentive Plan.

Other than the above, there was no subsequent event as at 16 August 2017 that will materially affect the financial statements of the financial period under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current period ended 30 June 2017 other than the subscription of 80% equity interest in Paradigm Industry Sdn. Bhd. ("PISB") during the financial period.

On 13 January 2017, Pharmaniaga Pristine Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary, subscribed to the total issued and paid-up capital of PISB of RM2.00. Furtherance to that, on 29 March 2017, PISB increased its paid-up capital to RM100,000 through the issuance of 99,998 ordinary shares by way of capitalisation of amount owing to PPSB (80%) and Sweetleaves Health Sdn. Bhd. (20%).

A13. Contingent Liabilities

There is no other contingent liability has arisen since the financial year end.

A14. Commitments

The Group has the following commitments as at 30 June 2017:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	35,604	-	35,604
Intangible assets	509	-	509

A15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for year ended 31 December 2016.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development costs of work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2017	153,176	4,289	13,073	23,096	234,658	-	428,292
Additions	-	-	2,299	-	13,090	3,062	18,451
Adjustments arising from the finalisation of purchase price allocation	(656)	-	-	564	-	-	(92)
Transfer from property, plant and equipment	-	-	131	-	-	-	131
Foreign exchange adjustments	(2,051)	(162)	-	(758)	-	-	(2,971)
At 30 June 2017	150,469	4,127	15,503	22,902	247,748	3,062	443,811
Accumulated amortisation							
At 1 January 2017	-	4,065	7	6,650	62,121	-	72,843
Amortisation charged	-	182	6	1,320	7,223	85	8,816
Foreign exchange adjustments	-	(160)	-	(266)	-	-	(426)
At 30 June 2017	-	4,087	13	7,704	69,344	85	81,233
Accumulated impairment							
At 1 January/ 30 June 2017	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 June 2017	137,816	40	15,490	15,198	178,404	2,977	349,925
At 31 December 2016	140,523	224	13,066	16,446	172,537	-	342,796

During the current financial period, Pharmaniaga Pristine Sdn. Bhd., a wholly-owned subsidiary, acquired a formula to produce natural Stevia sweetener from Sweetleaves Health Sdn. Bhd. for a cash consideration of RM2.95 million payable over a period of two (2) years.

On completion of the purchase price allocation in the current financial period, the fair value of the identifiable net assets of Bio-Collagen Technologies Sdn. Bhd. attributable to the Group at acquisition date was increased from RM96,000 to RM752,000 with a corresponding decrease in goodwill of the same amount.

B17. Performance Review

Quarter 2 2017 vs Quarter 2 2016

For the quarter under review, the Group recorded a revenue of RM518 million compared with RM532 million in the previous year's corresponding quarter, mainly attributable to moderate orders from Government hospitals. The Group recorded a lower profit before tax (PBT) of RM10 million compared with RM21 million in the same quarter last year. This was primarily due to lower production by our manufacturing facilities during the quarter under review, arising from temporary closure of certain production lines for preparatory works to facilitate the commercialisation of new products that were approved ahead of schedule.

B17. Performance Review (Cont'd)

Year-to-date 30 June 2017 vs Year-to-date 30 June 2016

For the six-month period under review, the Group recorded a revenue of RM1.1 billion, on par with last year's corresponding period. However, the Group recorded a lower PBT of RM38 million compared with RM48 million in the previous year's corresponding period, largely due to lower production by our manufacturing facilities as explained above.

The **Logistics and Distribution Division** delivered a higher PBT of RM4 million for the six-month period, marking a turnaround from the deficit of RM4 million in the same period last year. This is mainly attributable to stronger contributions from both the concession business and private sector businesses.

The **Manufacturing Division** recorded a lower PBT of RM34 million compared with RM55 million in the corresponding period last year. This was primarily due to lower production by our manufacturing facilities as explained above.

The **Indonesia Division** posted a PBT of RM1.5 million, an improvement from the deficit of RM0.6 million in the previous year's corresponding period. This was primarily attributable to higher contributions as a result of product rationalisation exercise and lower finance costs.

B18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter

The Group recorded a revenue of RM518 million compared with RM618 million in the preceding quarter. This was mainly due to reduced demand from Government hospitals. Meanwhile, the Group's PBT stood at RM10 million compared with RM28 million in the preceding quarter, mainly attributable to lower revenue and temporary closure of certain manufacturing production lines for preparatory works to facilitate the commercialisation of new products that were approved ahead of schedule.

B19. Prospects

Pharmaniaga registered positive contributions from its Divisions during the period under review. Although earnings were impacted by the temporary closure of production lines, this will subsequently enable the Group to move forward with the commercialisation of new products as some of the products were approved ahead of schedule. This is certainly testament to the Group's strong research and development initiatives.

Moving forward, Pharmaniaga is confident that long-term prospects are bright for the pharmaceutical sector. The Group remains focused on continuous improvements throughout its operations, coupled with its ongoing drive to reinforce its position as a leading generics manufacturer.

B20. Notes on variance in actual profit and shortfall in profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and shortfall in profit guarantee are not applicable.

B21. Income Tax

	Current Period		Cumulative Period	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Taxation based on profit for the period:				
- Current	**910**	5,867	**1,373**	14,811
- Deferred	**(611)**	(244)	**7,078**	(1,368)
	299	5,623	**8,451**	13,443
(Over)/under provision in prior years:				
- Current	**-**	-	**(1,611)**	(773)
- Deferred	**-**	23	**1,978**	1,044
	-	23	**367**	271
	299	5,646	**8,818**	13,714

The Group's effective tax rate is lower than the statutory tax rate of 24% principally due to recognition of deferred tax assets on certain loss-making subsidiaries.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

	30 June 2017 RM'000	31 December 2016 RM'000
Current:		
Bankers' acceptances	**214,580**	284,277
Revolving credits	**250,000**	230,000
Short term foreign time loan	**94,286**	101,921
Hire purchase	**855**	466
	559,721	616,664
Non-current:		
Hire purchase	**747**	248

Short term foreign time loan of RM94.3 million (2016: RM101.9 million) is denominated in Indonesian Rupiah (IDR) and is equivalent to IDR292,814 million (2016: IDR306,069 million).

Included in bankers' acceptances is RM15.8 million (2016: RM14.6 million) Indonesian Rupiah (IDR) denominated which is equivalent to IDR49,001 million (2016: IDR43,970 million).

B24. Realised and Unrealised Profits of the Group

The retained profits as at 30 June 2017 is analysed as follows:

	30 June 2017 RM'000	31 December 2016 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	**410,365**	421,104
- unrealised losses	**(29,590)**	(20,341)
	380,775	400,763
Less: Consolidation adjustments	**(5,133)**	(35,226)
Total Group retained profits as per consolidated accounts	**375,642**	365,537

B25. Additional Disclosures

The Group's profit before taxation is stated after charging/(crediting) the following:

	Current Period		**Cumulative Period**	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Depreciation and amortisation	**11,132**	18,428	**23,594**	35,286
Net provision for and write off of receivables	**244**	580	**457**	845
Provision for and write off of inventories	**1,112**	39	**3,201**	1,322
Net foreign exchange losses/(gain)	**88**	(330)	**(1,546)**	(315)

Other than the items mentioned above which have been included in the consolidated income statement and consolidated statement of comprehensive income, there were no impairment of assets, gain or loss on derivatives, gain or loss on disposal of subsidiaries and exceptional items included in the results for the period ended 30 June 2017.

B26. Profit Forecast

No commentary is made on any variance between actual profit from forecast profit, as it does not apply to the Group.

B27. Earnings Per Share ("EPS")

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2017	2016	**2017**	2016
Profit attributable to owners of the Company (RM'000)	**9,520**	14,995	**28,443**	33,374
Average number of ordinary shares in issue ('000)	**259,377**	258,883	**259,377**	258,883
Basic earnings per share (sen)	**3.67**	5.79	**10.97**	12.89

(b) Diluted earnings per share

	Current Period		Cumulative Period	
	2017	2016	**2017**	2016
Profit attributable to owners of the Company (RM'000)	**9,520**	14,995	**28,443**	33,374
Average number of ordinary shares in issue ('000)	**259,377**	258,883	**259,377**	258,883
Assumed shares issued from the exercise of Option Plan ('000)	**-**	-	**-**	-
Assumed shares issued under Long Term Incentive Plan ('000)	**582**	-	**582**	-
Weighted average number of ordinary shares in issue ('000)	**259,959**	258,883	**259,959**	258,883
Diluted earnings per share (sen)	**3.66**	5.79	**10.94**	12.89

B27. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 August 2017.

By Order of the Board

Kuala Lumpur
16 August 2017

TASNEEM MOHD DAHALAN (LS0006966)