Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 31 December 2017	Current Period		Cumulative Period	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	**613,196**	582,816	**2,323,960**	2,189,022
Cost of sales	**(525,960)**	(502,687)	**(1,988,798)**	(1,845,775)
Gross profit	**87,236**	80,129	**335,162**	343,247
Other income	**8,322**	233	**9,006**	1,312
Operating expenses	**(68,583)**	(67,086)	**(243,057)**	(239,877)
Finance costs	**(7,558)**	(9,583)	**(28,774)**	(33,703)
Interest income	**449**	376	**727**	1,038
Profit before zakat and taxation	**19,866**	4,069	**73,064**	72,017
Zakat	**(100)**	-	**(600)**	(250)
Taxation	**2,322**	(4,969)	**(17,377)**	(25,908)
Profit/(loss) for the period/year	**22,088**	(900)	**55,087**	45,859
Profit/(loss) for the period/year attributable to:				
Owners of the parent	**21,700**	(836)	**53,823**	45,599
Non-controlling interests	**388**	(64)	**1,264**	260
Profit/(loss) for the period/year	**22,088**	(900)	**55,087**	45,859
Earnings/(loss) per share - sen				
- Basic	**8.36**	(0.32)	**20.74**	17.60
- Diluted	**8.34**	(0.32)	**20.69**	17.54

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 31 December 2017	Current Period		Cumulative Period	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period/year	**22,088**	(900)	**55,087**	45,859
Other comprehensive (loss)/income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**(8,269)**	7,401	**(16,900)**	9,137
Recognition of actuarial losses	**120**	(70)	**(224)**	(74)
	(8,149)	7,331	**(17,124)**	9,063
Total comprehensive income for the period/year	**13,939**	6,431	**37,963**	54,922
Attributable to:				
Owners of the parent	**16,068**	4,912	**41,627**	53,009
Non-controlling interests	**(2,129)**	1,519	**(3,664)**	1,913
Total comprehensive income for the period/year	**13,939**	6,431	**37,963**	54,922

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 31 December 2017	As at 31 December 2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**410,854**	420,465
Prepaid lease payments	**2,281**	2,616
Intangible assets	**365,394**	342,796
Receivables	**15,146**	12,236
Deferred tax assets	**35,437**	28,298
	829,112	806,411
Current assets		
Inventories	**484,993**	532,211
Receivables	**246,703**	256,289
Tax recoverable	**19,049**	17,743
Deposits, cash and bank balances	**27,893**	70,456
	778,638	876,699
TOTAL ASSETS	**1,607,750**	1,683,110
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**146,213**	129,688
Reserves	**381,833**	400,943
Shareholders' equity	**528,046**	530,631
Non-controlling interests	**19,081**	28,776
Total equity	**547,127**	559,407
Non-current liabilities		
Loans and borrowings	**401**	248
Payables	**457**	547
Deferred tax liabilities	**52,999**	48,105
Provision for defined benefit plan	**8,977**	8,593
Deferred income	**4,864**	4,190
	67,698	61,683
Current liabilities		
Payables	**546,219**	442,757
Amount due to immediate holding company	**725**	472
Current tax liabilities	**1,494**	1,703
Deferred income	**571**	424
Loans and borrowings	**443,916**	616,664
	992,925	1,062,020
Total liabilities	**1,060,623**	1,123,703
TOTAL EQUITY AND LIABILITIES	**1,607,750**	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 year ended 31 December 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 year	**-**	**-**	**-**	**-**	**53,823**	**53,823**	**1,264**	**55,087**
- Other comprehensive loss	**-**	**-**	**(12,080)**	**-**	**(116)**	**(12,196)**	**(4,928)**	**(17,124)**
Total comprehensive (loss)/ income for the financial year	**-**	**-**	**(12,080)**	**-**	**53,707**	**41,627**	**(3,664)**	**37,963**
<u>Transactions with owners</u>								
Accretion of interests in subsidiaries	**-**	**-**	**-**	**-**	**(9,637)**	**(9,637)**	**(6,455)**	**(16,092)**
Issuance of shares by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**398**	**398**
Adjustments arising from the finalisation of purchase price allocation	**-**	**-**	**-**	**-**	**-**	**-**	**282**	**282**
Share options granted under Share Option Plan	**-**	**-**	**-**	**4,331**	**-**	**4,331**	**-**	**4,331**
Shares granted under Long Term Incentive Plan	**-**	**-**	**-**	**2,634**	**-**	**2,634**	**-**	**2,634**
Issuance of new shares - Long Term Incentive Plan	**2,259**	**-**	**-**	**(2,259)**	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**(41,540)**	**(41,540)**	**(256)**	**(41,796)**
Total transactions with owners for the financial year	**2,259**	**-**	**-**	**4,706**	**(51,177)**	**(44,212)**	**(6,031)**	**(50,243)**
At 31 December 2017	**146,213**	**-**	**3,239**	**10,527**	**368,067**	**528,046**	**19,081**	**547,127**
At 1 January 2016	129,441	11,751	7,842	-	380,375	529,409	30,585	559,994
- Net profit for the financial year	-	-	-	-	45,599	45,599	260	45,859
- Other comprehensive income/(loss)	-	-	7,477	-	(67)	7,410	1,653	9,063
Total comprehensive income income for the financial year	-	-	7,477	-	45,532	53,009	1,913	54,922
<u>Transactions with owners</u>								
Accretion of interest in a subsidiary	-	-	-	-	(8,549)	(8,549)	(3,425)	(11,974)
Acquisition of a subsidiary	-	-	-	-	-	-	41	41
Share options granted under Share Option Plan	-	-	-	4,278	-	4,278	-	4,278
Shares granted under Long Term Incentive Plan	-	-	-	1,649	-	1,649	-	1,649
Issuance of new shares								
- Share Option Plan	100	1,014	-	(106)	-	1,008	-	1,008
- Long Term Incentive Plan	147	1,501	-	-	-	1,648	-	1,648
Dividends	-	-	-	-	(51,821)	(51,821)	(338)	(52,159)
Total transactions with owners for the financial year	247	2,515	-	5,821	(60,370)	(51,787)	(3,722)	(55,509)
At 31 December 2016	129,688	14,266	15,319	5,821	365,537	530,631	28,776	559,407

Note a

With the Companies Act 2016 ("New Act") came 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 Company 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 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 31 December 2017

	2017	2016
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**2,332,061**	2,201,462
Cash payments to suppliers and employees	**(2,044,399)**	(2,108,947)
Net cash generated from operations	**287,662**	92,515
Interest paid	**(29,338)**	(31,856)
Tax paid	**(18,953)**	(25,958)
Zakat paid	**(600)**	(250)
Interest received	**642**	985
Net cash generated from operating activities	**239,413**	35,436
Investing Activities		
Acquisition of a subsidiary (net of cash acquired)	**-**	(2,947)
Repayment from/(advance to) a corporate shareholder of a subsidiary	**16,092**	(17,960)
Purchase of property, plant and equipment	**(29,430)**	(43,639)
Purchase of intangible assets	**(49,164)**	(69,825)
Proceeds from disposal of property, plant and equipment	**79**	164
Net cash used in investing activities	**(62,423)**	(134,207)
Financing Activities		
Acquisition of interest in a subsidiary from non-controlling interest	**(16,092)**	(11,974)
Issuance of shares	**378**	1,008
Dividends paid to:		
- owners of the Company	**(41,540)**	(51,821)
- non-controlling interests of a subsidiary	**(256)**	(338)
Net (repayment)/drawdown of borrowings	**(159,236)**	208,555
Net cash (used in)/generated from financing activities	**(216,746)**	145,430
Net (decrease)/increase in cash and cash equivalents	**(39,756)**	46,659
Effects of exchange rate changes	**(2,807)**	1,279
Cash and cash equivalent at beginning of year	**70,456**	22,518
Cash and cash equivalent at end of year	**27,893**	70,456

Analysis of cash and cash equivalents

Deposits, cash and bank balances	**27,893**	70,456

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 year ended 31 December 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 Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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’

MFRS 15 ‘Revenue from Contracts with Customers’ places MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction Contract’ 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, that is, when the customer 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 fees of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point of revenue recognition may shift: some revenue which 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.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and has identified the following areas that will be affected:

- Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of good under MFRS 15 is unlikely to be materially different from its current practice.

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)

i) MFRS 15 'Revenue from Contracts with Customers' (cont'd)

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected: (cont'd)

- Revenue relating to services will be recognised in the accounting period in which the services are rendered. Revenue from contracts include multiple deliverables, such as system and equipment design, planning, installation and commissioning contracts. It is therefore accounted for as a separate performance obligation under MFRS 15. The transaction price will be allocated to each performance obligation based on the stand-alone selling price. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the equipment is delivered, the legal title has passed and the customer has accepted the equipment. The Group does not expect the revenue recognition for services under MFRS 15 to be materially different from its current practice.

- Presentation of contract assets and contract liabilities in the balance sheet – MFRS 15 requires separate presentation of contract assets and contract liabilities in the Statements of Financial Position. This will result in some reclassifications as of 1 January 2018 in relation to contracts assets and contract liabilities.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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 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.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

- The financial assets held by the Group are debt instruments currently classified as loans and receivables and measured at amortised cost which meet the conditions for classification at amortised cost under MFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. This new impairment model may have an impact on Group's financial results given the Group's significant financial assets balances at each reporting date.

- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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)

iii) Amendments to MFRS 2 'Share-based Payment' deal 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.

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

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 the 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 Interpretation 22 retrospectively or prospectively.

The Group is assessing the impact of the above IC Interpretation on the financial statements of the Group in the year of initial adoption.

b) Financial year beginning on/after 1 January 2019

i) 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 requirement in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

ii) Annual improvements to MFRSs 2015 - 2017 Cycle (amendments to MFRS 3 'Business Combinations', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs')

The Group is assessing the impact of the above standard 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 unqualified.

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 year 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 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 year other than the issuance of 443,900 new ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 10 August 2017.

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

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).

On 18 September 2017, the Company paid a second interim dividend of 4.0 sen (2016: 5.0 sen) per share in respect of the financial year ending 31 December 2017 amounting to RM10.4 million (2016: RM13.0 million).

On 15 December 2017, the Company paid a third interim dividend of 5.0 sen (2016: 4.0 sen) per share in respect of the financial year ending 31 December 2017 amounting to RM13.0 million (2016: RM10.4 million).

For the fourth quarter, the Directors have declared a fourth interim dividend of 6.0 sen (2016: 3.0 sen) per share in respect of the financial year ended 31 December 2017. The dividend will be paid on 28 March 2018 to shareholders registered in the Register of Members at the close of business on 15 March 2018.

A9. Operating segments

Operating segments information for the year is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2017					
Revenue					
External revenue	1,586,839	3,110	734,011	-	2,323,960
Inter-segment revenue	-	274,137	-	(274,137)	-
Total revenue	1,586,839	277,247	734,011	(274,137)	2,323,960
Results					
Segment results	19,581	76,530	14,321	-	110,432
Finance costs	(16,877)	(2,461)	(10,312)	876	(28,774)
Interest income	755	810	38	(876)	727
	3,459	74,879	4,047	-	82,385
Unallocated corporate expenses					(9,321)
Profit before zakat and taxation					73,064
Zakat					(600)
Taxation	5,860	(14,872)	(2,648)	(5,717)	(17,377)
Profit for the year					55,087
2016 (Restated)					
Revenue					
External revenue	1,551,444	3,152	634,426	-	2,189,022
Inter-segment revenue	-	375,167	-	(375,167)	-
Total revenue	1,551,444	378,319	634,426	(375,167)	2,189,022
Results					
Segment results	11,599	93,305	8,681	-	113,585
Finance costs	(18,749)	(2,506)	(13,500)	1,052	(33,703)
Interest income	1,349	689	52	(1,052)	1,038
	(5,801)	91,488	(4,767)	-	80,920
Unallocated corporate expenses					(8,903)
Profit before zakat and taxation					72,017
Zakat					(250)
Taxation	(11,921)	(14,913)	(698)	1,624	(25,908)
Profit for the year					45,859

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.

A9. Operating segments (cont'd)

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.

For Indonesia segment, the breakdown of segment revenue and results that is denominated in foreign currency and the currency exchange ratio used are as follows:

	Year Ended 31 December					
	2017			2016		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,245,164,551	0.0327	734,011	2,081,384,260	0.0305	634,426
Segment results	12,382,046	0.0327	4,047	(15,639,463)	0.0305	(4,767)

A10. Carrying Amount of Revalued Assets

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

A11. Subsequent Event

There was no subsequent event as at 27 February 2018 that will materially affect the financial statements of the financial year under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial year ended 31 December 2017 other than the following:

a) On 13 January 2017, Pharmaniaga Pristine Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary, subscribed to the total issued and paid-up capital of Paradigm Industry Sdn. Bhd. (“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%).

b) On 15 December 2017, the Group, through its wholly-owned subsidiary, Pharmaniaga International Corporation Sdn. Bhd. (“Pharmaniaga Corp”), completed the subscription of 535,137,534 ordinary shares representing additional 18.4% of the enlarged issued and paid-up capital in PT Pharmacon Millenium International Tbk (“PT MPI”) for a total consideration of IDR58,865,128,740 or equivalent to RM18,634,000 pursuant to PT MPI’s Rights Issue exercise. Consequently, the Company’s effective interest in PT MPI increased from 55% to 73% and this subscription is regarded as a transaction with owners of the Group. The gain of RM3,290,000 arising from the accretion of equity interest has been recognised in retained earnings of the Group during the financial year.

With the utilisation of proceeds from the Rights Issue exercise, on 20 December 2017, PT MPI has acquired 574,992 ordinary shares representing 15% equity interest of the issued and paid-up capital of PT Errita Pharma (“PT Errita”) for a total consideration of USD3,600,000 and IDR10,024,531,778, which collectively amounted to IDR54,000,000,000 or equivalent to RM16,092,000. Consequently, the Group’s effective interest in PT Errita increased from 85% to 96% and the increase is regarded as a transaction with non-controlling interest. The loss of RM12,927,000 arising from the accretion of equity interest has been recognised in retained earnings of the Group during the financial year.

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 31 December 2017:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	15,796	10,842	26,638
Intangible assets	4,131	-	4,131

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	-	7,280	7,957	-	24,322	3,063	42,622
Adjustments arising from the finalisation of purchase price allocation	(656)	-	-	564	-	-	(92)
Transfer from property, plant and equipment	-	6,677	350	-	-	-	7,027
Written off	-	-	(783)	-	-	-	(783)
Foreign exchange adjustments	(6,525)	(515)	(2)	(2,412)	-	-	(9,454)
At 31 December 2017	145,995	17,731	20,595	21,248	258,980	3,063	467,612
Accumulated amortisation							
At 1 January 2017	-	4,065	7	6,650	62,121	-	72,843
Amortisation charged	-	320	11	2,541	14,869	187	17,928
Foreign exchange adjustments	-	(512)	-	(694)	-	-	(1,206)
At 31 December 2017	-	3,873	18	8,497	76,990	187	89,565
Accumulated impairment							
At 1 January/ 31 December 2017	12,653	-	-	-	-	-	12,653
Net carrying value							
At 31 December 2017	133,342	13,858	20,577	12,751	181,990	2,876	365,394
At 31 December 2016	140,523	224	13,066	16,446	172,537	-	342,796

During the current financial year, 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 year, 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

	Current Period			Cumulative Period		
	2017	**2016**	**+/(-)**	**2017**	**2016**	**+/(-)**
	RM'000	**RM'000**	**%**	**RM'000**	**RM'000**	**%**
Revenue	613,196	582,816	5.2%	2,323,960	2,189,022	6.2%
Profit before interest and taxation	18,653	13,043	43.0%	92,105	103,370	(10.9%)
Profit before zakat and taxation	19,866	4,069	> 100%	73,064	72,017	1.5%
Profit/(loss) for the period/year	22,088	(900)	> 100%	55,087	45,859	20.1%
Profit/(loss) attributable to owners of the parent	21,700	(836)	> 100%	53,823	45,599	18.0%

Quarter 4 2017 vs Quarter 4 2016

For the quarter under review, the Group delivered a higher revenue of RM613 million, up by 5% from RM583 million in the previous year's corresponding quarter. This was mainly attributable to increased orders from Government hospitals and improved contributions from the Group's Indonesia operations. Coupled with lower finance costs and compensation received in relation to a previous joint venture company in China, the Group's profit after tax (PAT) jumped to RM22 million from a deficit in the same quarter last year.

Year ended 31 December 2017 vs Year ended 31 December 2016

For the financial year ended 31 December 2017, the Group recorded a stronger revenue of RM2.3 billion compared with RM2.2 billion in the previous year. PAT grew to RM55 million from RM46 million last year, primarily due to lower finance costs and compensation received as described above. However, this was offset by reduced production by our manufacturing facilities, arising from the temporary closure of certain production lines in the second quarter for preparatory works to facilitate the commercialisation of new products that were approved ahead of schedule.

The **Logistics and Distribution Division** turned in a profit of RM3 million, an improvement from deficit of RM6 million last year.

The **Manufacturing Division** posted a lower profit of RM75 million compared with RM91 million last year. This was primarily due to lower production by our manufacturing facilities as described above.

The **Indonesia Division** delivered a profit of RM4 million, marking a turnaround from the deficit of RM5 million in the previous year. This was mainly attributable to product rationalisation exercise and lower finance costs.

Statement of Financial Position

As at 31 December 2017, the inventories and borrowings have reduced from prior year as a result of stock optimisation and cost containment exercise during the year under review.

Statement of Cash Flows

For the year under review, lower trade purchases and borrowings have contributed to the positive operating cash flows as explained above.

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

	Current Period	Immediate Preceding Period	
	2017	**2017**	**+/(-)**
	RM'000	**RM'000**	**%**
Revenue	613,196	574,503	6.7%
Profit before interest and taxation	18,653	23,556	(20.8%)
Profit before zakat and taxation	19,866	15,271	30.1%
Profit for the period	22,088	3,890	> 100%
Profit attributable to owners of the parent	21,700	3,580	> 100%

The Group reported a higher revenue of RM613 million compared with RM575 million in the preceding quarter, mainly attributable to increased orders from Government hospitals. Coupled with lower finance costs and compensation received as described above, the Group recorded a higher PAT of RM22 million compared with RM4 million in the preceding quarter.

B19. Prospects

Despite challenging market conditions in 2017, Pharmaniaga delivered strong fourth quarter results and impressive full year profit after tax.

Moving forward, via its research and development efforts, the Group remains focused on expanding its product offerings to both local and overseas markets, in tandem with continuous efficiency improvements in its manufacturing operations. By leveraging on its ongoing drive to tap into viable opportunities in the market, Pharmaniaga is confident that it will be able to reinforce its position as a leader in the pharmaceutical industry.

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/year:				
- Current	**8,953**	725	**12,459**	18,055
- Deferred	**(11,275)**	4,270	**(3,417)**	9,890
	(2,322)	4,995	**9,042**	27,945
Under/(over) provision in prior years:				
- Current	**-**	(26)	**5,012**	(3,081)
- Deferred	**-**	-	**3,323**	1,044
	-	(26)	**8,335**	(2,037)
	(2,322)	4,969	**17,377**	25,908

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

	31 December 2017 RM'000	31 December 2016 RM'000
Non-current:		
Hire purchase	**401**	248
Current:		
Bankers' acceptances:		
- Denominated in Ringgit Malaysia	**166,506**	269,635
- Denominated in Indonesian Rupiah	**14,993**	14,642
Revolving credits	**159,000**	230,000
Short term foreign time loan - denominated in Indonesian Rupiah	**102,651**	101,921
Hire purchase	**766**	466
	443,916	616,664

		31 December 2017	31 December 2016
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**394,778,523**	350,039,039
Exchange rate for Indonesian Rupiah	**RM**	**0.0298**	0.0333

As at 31 December 2017, the significant reduction in borrowings is primarily due to lower trade purchases arising from the stock optimisation exercise.

As at 31 December 2017, the weighted average floating interest rate of borrowings is 6.0% (2016: 6.4%) per annum.

B23. Borrowings and Debt Securities - Unsecured (cont'd)

For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

B24. 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	**11,737**	12,618	**46,522**	45,932
Net provision for and write off of receivables	**1,415**	(116)	**3,542**	1,044
Net (write back of)/provision for and write off of inventories	**(736)**	3,766	**6,069**	6,991
Net foreign exchange loss	**3,738**	611	**2,057**	125

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 year ended 31 December 2017.

B25. Profit Forecast

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

B26. Earnings/(Loss) Per Share ("EPS")

(a) Basic earnings/(loss) per share

	Current Period		Cumulative Period	
	2017	2016	**2017**	2016
Profit/(loss) attributable to owners of the Company (RM'000)	**21,700**	(836)	**53,823**	45,599
Average number of ordinary shares in issue ('000)	**259,551**	259,107	**259,551**	259,107
Basic earnings/(loss) per share (sen)	**8.36**	(0.32)	**20.74**	17.60

(b) Diluted earnings/(loss) per share

Profit attributable to owners of the Company (RM'000)	**21,700**	(836)	**53,823**	45,599
Average number of ordinary shares in issue ('000)	**259,551**	259,107	**259,551**	259,107
Assumed shares issued from the exercise of Option Plan ('000)	**-**	209	**-**	209
Assumed shares issued under Long Term Incentive Plan ('000)	**606**	582	**606**	582
Weighted average number of ordinary shares in issue ('000)	**260,157**	259,898	**260,157**	259,898
Diluted earnings/(loss) per share (sen)	**8.34**	(0.32)	**20.69**	17.54

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 27 February 2018.

By Order of the Board

Kuala Lumpur
27 February 2018

TASNEEM MOHD DAHALAN (LS0006966)