Pharmaniaga Berhad (467709-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2019	Current Period		Cumulative Period	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	**601,890**	582,729	**1,387,998**	1,200,652
Cost of sales	**(528,532)**	(500,307)	**(1,216,343)**	(1,026,349)
Gross profit	**73,358**	82,422	**171,655**	174,303
Other income	**447**	165	**809**	867
Operating expenses	**(51,483)**	(62,339)	**(110,490)**	(118,744)
Finance costs	**(10,392)**	(8,486)	**(20,034)**	(16,037)
Interest income	**551**	208	**784**	288
Profit before zakat and taxation	**12,481**	11,970	**42,724**	40,677
Zakat	**(2,225)**	(981)	**(2,253)**	(981)
Taxation	**(994)**	(5,223)	**(11,561)**	(16,341)
Profit for the financial period	**9,262**	5,766	**28,910**	23,355
Profit for the financial period attributable to:				
Owners of the parent	**9,281**	5,394	**28,898**	22,980
Non-controlling interests	**(19)**	372	**12**	375
Profit for the financial period	**9,262**	5,766	**28,910**	23,355
Earnings per share - sen				
- Basic	**3.56**	2.08	**11.09**	8.84
- Diluted	**3.55**	2.07	**11.05**	8.82

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 2019	Current Period		Cumulative Period	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial period	**9,262**	5,766	**28,910**	23,355
Other comprehensive income/(loss), net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation difference of foreign operations	**2,451**	1,169	**1,672**	(6,299)
Recognition of actuarial (loss)/gain	**(177)**	365	**(177)**	307
	2,274	1,534	**1,495**	(5,992)
Total comprehensive income for the financial period	**11,536**	7,300	**30,405**	17,363
Attributable to:				
Owners of the parent	**11,278**	6,751	**30,273**	17,756
Non-controlling interests	**258**	549	**132**	(393)
Total comprehensive income for the financial period	**11,536**	7,300	**30,405**	17,363

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 2019	As at 31 December 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**379,760**	383,428
Intangible assets	**398,467**	400,892
Rights-of-use	**39,803**	25,077
Deferred tax assets	**37,302**	39,796
	855,332	849,193
Current assets		
Inventories	**589,539**	693,020
Receivables	**414,428**	311,916
Amount due from immediate holding company	**-**	9
Tax recoverable	**20,270**	17,926
Deposits, cash and bank balances	**38,310**	35,655
	1,062,547	1,058,526
TOTAL ASSETS	**1,917,879**	1,907,719
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**151,879**	149,401
Reserves	**368,896**	359,935
Shareholders' equity	**520,775**	509,336
Non-controlling interests	**19,200**	19,327
Total equity	**539,975**	528,663
Non-current liabilities		
Borrowings	**179**	102
Lease liabilities	**8,450**	-
Deferred tax liabilities	**63,135**	59,191
Provision for defined benefit plan	**9,208**	8,306
Government grants	**4,460**	4,630
	85,432	72,229
Current liabilities		
Payables	**578,162**	645,719
Amount due to immediate holding company	**246**	390
Current tax liabilities	**3,491**	4,365
Contract liabilities	**211**	242
Government grants	**341**	341
Borrowings	**703,276**	642,745
Lease liabilities	**6,745**	-
Dividend payable	**-**	13,025
	1,292,472	1,306,827
Total liabilities	**1,377,904**	1,379,056
TOTAL EQUITY AND LIABILITIES	**1,917,879**	1,907,719

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 2019	**Share Capital**	**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**
At 1 January 2019	**149,401**	**1,036**	**8,015**	**350,884**	**509,336**	**19,327**	**528,663**
- Net profit for the financial period	**-**	**-**	**-**	**28,898**	**28,898**	**12**	**28,910**
- Other comprehensive income/(loss)	**-**	**1,505**	**-**	**(130)**	**1,375**	**120**	**1,495**
Total comprehensive income for the financial period	**-**	**1,505**	**-**	**28,768**	**30,273**	**132**	**30,405**
Transactions with owners							
Share options granted under Share Option Plan	**-**	**-**	**324**	**-**	**324**	**-**	**324**
Shares granted under Long Term Incentive Plan	**-**	**-**	**1,682**	**-**	**1,682**	**-**	**1,682**
Issuance of new shares - Long Term Incentive Plan	**2,478**	**-**	**(2,478)**	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**(20,840)**	**(20,840)**	**(259)**	**(21,099)**
Total transactions with owners for the financial period	**2,478**	**-**	**(472)**	**(20,840)**	**(18,834)**	**(259)**	**(19,093)**
At 30 June 2019	**151,879**	**2,541**	**7,543**	**358,812**	**520,775**	**19,200**	**539,975**
At 1 January 2018	146,213	3,239	10,527	368,067	528,046	19,081	547,127
MFRS 9 adjustments (Note a)	-	-	-	(11,835)	(11,835)	-	(11,835)
- Net profit for the financial period	-	-	-	22,980	22,980	375	23,355
- Other comprehensive (loss)/income	-	(5,436)	-	212	(5,224)	(768)	(5,992)
Total comprehensive income for the financial period	-	(5,436)	-	23,192	17,756	(393)	17,363
Transactions with owners							
Share options granted under Share Option Plan	-	-	1,021	-	1,021	-	1,021
Shares granted under Long Term Incentive Plan	-	-	1,950	-	1,950	-	1,950
Dividends	-	-	-	(28,580)	(28,580)	(191)	(28,771)
Total transactions with owners for the financial period	-	-	2,971	(28,580)	(25,609)	(191)	(25,800)
At 30 June 2018	146,213	(2,197)	13,498	350,844	508,358	18,497	526,855

Note a
The Group had adopted MFRS 9 on 1 January 2018. As permitted by the transitional provisions of MFRS 9, the cumulative impacts arising from the adoption of this standard were adjusted to the retained earnings of the Group as at 1 January 2018.

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 period ended 30 June 2019

	2019	2018
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**1,299,654**	938,866
Cash payments to suppliers and employees	**(1,277,631)**	(1,111,060)
Net cash generated from/(used in) operations	**22,023**	(172,194)
Interest paid	**(18,925)**	(14,951)
Tax paid	**(6,773)**	(5,894)
Zakat paid	**(2,253)**	(981)
Interest received	**53**	267
Net cash used in operating activities	**(5,875)**	(193,753)
Investing Activities		
Acquisition of a subsidiary	**-**	(404)
Purchase of property, plant and equipment	**(4,500)**	(6,223)
Purchase of intangible assets	**(10,987)**	(7,867)
Proceeds from disposal of property, plant and equipment	**58**	66
Net cash used in investing activities	**(15,429)**	(14,428)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(33,865)**	(28,580)
- non-controlling interests of a subsidiary	**(259)**	(191)
Net drawdown of borrowings	**57,790**	237,336
Net cash generated from financing activities	**23,666**	208,565
Net increase in cash and cash equivalents	**2,362**	384
Effects of exchange rate changes	**293**	(882)
Cash and cash equivalent at beginning of period	**30,826**	27,893
Cash and cash equivalent at end of period	**33,481**	27,395
Analysis of cash and cash equivalents:		
Cash and bank balances	**24,086**	27,395
Deposits with licensed banks	**14,224**	-
	38,310	27,395
less: Deposits maturing more than three (3) months	**(4,829)**	-
	33,481	27,395

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 2019 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 2018. 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 2018.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018, except for the adoption of the following new published standard and amendments to published standards that are effective for the Group's financial year beginning on or after 1 January 2019.

A2.1 Standard and amendments to published standards that are effective

On 1 January 2019, the Group applied the following new published standard and amendments to published standards:

MFRS 16	Leases
Amendments to MFRS 119 ‘Employee Benefits’	Plan Amendment, Curtailment or Settlement
Annual Improvements to MFRSs 2015 - 2017 Cycle	Amendments to MFRS 3 ‘Business Combinations’, MFRS 112 ‘Income Taxes’ and MFRS 123 ‘Borrowing Costs’

Except for the adoption of MFRS 16 as further explained below, the adoption of the above amendments to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

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 profit or loss.

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.

a) Impact of adoption of MFRS 16

On date of initial application, the Group recognised lease liabilities in relation to leases (except for short-term leases and leases of low-value assets) which had previously been classified as ‘operating leases’ under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental rate applied to the lease liabilities on 1 January 2019 range from 4.0% to 9.0% per annum.

As permitted by the transitional provisions of MFRS 16, the Group adopted the standard using the modified retrospective approach without restating the comparatives.

b) Change in accounting policies

The Group leases various offices, warehouse, retail stores and equipment. These leases have an average lease period of between 2 years to 5 years with renewal option included in the contracts. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The total amount of cash paid is separated into principal portion (presented within financing activities) and interest (presented within operating expenses) in the statement of cash flows.

A2. Significant Accounting Policies (Cont'd)

A2.1 Standard and amendments to published standards that are effective (cont'd)

c) Reconciliation of operating lease commitment as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019

	RM'000
Operating lease commitments disclosed as at 31 December 2018	20,591
Discounted using weighted average incremental borrowing rate as at 1 January 2019	(1,334)
Add: Adjustment in relation to extension options	12
Lease liabilities recognised as at 1 January 2019	**19,269**

A2.2 Early Adoption of Amendments to MFRS 3 'Business Combinations'

The Group has early adopted the amendments to MFRS 3 and applied it on asset acquisitions that occur on or after the beginning of 1 January 2019. The Amendments clarifies the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption of the above amendments did not have any material on the financial statements of the Group.

A2.3 Amendments that have been issued but not yet effective

Financial year beginning on/after 1 January 2020

Amendments to MFRS 101 'Presentation of Financial Statements' and Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates, and Errors' refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

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

A3. Audit report in respect of the 2018 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2018 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 period under review.

A6. Change in Estimates

There were no 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 other than the issuance of 724,700 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 10 June 2019.

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

A8. Dividends

On 27 June 2019, the Company paid a first interim dividend of 6.0 sen (2018: 5.0 sen) per share in respect of the financial year ending 31 December 2019 amounting to RM15.6 million (2018: RM13.0 million).

On 10 April 2019, the Company paid a fourth interim dividend of 2.0 sen (2017: 6.0 sen) per share in respect of the financial year ended 31 December 2018 amounting to RM5.2 million (2017: RM15.6 million).

For the second quarter, the Directors have declared a second interim dividend of 2.5 sen (2018: 4.0 sen) per share in respect of the financial year ending 31 December 2019. The dividend will be paid on 11 October 2019 to shareholders registered in the Register of Members at the close of business on 12 September 2019.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and Distribution	Manufacturing	Indonesia	Eliminations	Total
2019					
Revenue					
External revenue	989,295	5,130	393,573	-	1,387,998
Inter-segment revenue	-	136,724	-	(136,724)	-
Total revenue	989,295	141,854	393,573	(136,724)	1,387,998
Results					
Segment results	28,405	29,089	8,284	-	65,778
Finance costs	(10,408)	(1,794)	(8,236)	404	(20,034)
Interest income	903	267	18	(404)	784
	18,900	27,562	66	-	46,528
Unallocated corporate expenses					(3,804)
Profit before zakat and taxation					42,724
Zakat					(2,253)
Taxation	(4,354)	(1,274)	(1,223)	(4,710)	(11,561)
Profit for the financial period					28,910
<u>Timing of revenue recognition</u>					
Goods or services transferred:					
- At a point in time	982,364	141,854	393,573	(136,724)	1,381,067
- Over time	6,931	-	-	-	6,931
	989,295	141,854	393,573	(136,724)	1,387,998
2018					
Revenue					
External revenue	871,251	1,321	328,080	-	1,200,652
Inter-segment revenue	-	168,205	-	(168,205)	-
Total revenue	871,251	169,526	328,080	(168,205)	1,200,652
Results					
Segment results	17,353	36,037	6,243	-	59,633
Finance costs	(8,997)	(2,332)	(5,251)	543	(16,037)
Interest income	321	333	177	(543)	288
	8,677	34,038	1,169	-	43,884
Unallocated corporate expenses					(3,207)
Profit before zakat and taxation					40,677
Zakat					(981)
Taxation	(6,475)	(6,325)	(1,208)	(2,333)	(16,341)
Profit for the financial period					23,355
<u>Timing of revenue recognition</u>					
Goods or services transferred:					
- At a point in time	842,381	169,526	328,080	(168,205)	1,171,782
- Over time	28,870	-	-	-	28,870
	871,251	169,526	328,080	(168,205)	1,200,652

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:

	Period Ended 30 June					
	2019			2018		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,353,561,688	0.0291	393,573	1,140,233,072	0.0288	328,080
Segment results	226,985	0.0291	66	4,062,828	0.0288	1,169

A10. Carrying Amount of Revalued Assets

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

A11. Subsequent Event

There was no subsequent event as at 23 August 2019 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 financial period ended 30 June 2019.

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 2019:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	9,370	159,064	168,434

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 2018.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development costs (work-in-progress and completed)	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2019	144,131	23,579	27,435	20,560	304,825	3,071	523,601
Additions	-	-	1,767	-	6,413	-	8,180
Transfer from property, plant and equipment	-	-	140	-	-	-	140
Foreign exchange adjustments	932	74	-	345	-	-	1,351
At 30 June 2019	145,063	23,653	29,342	20,905	311,238	3,071	533,272
Accumulated amortisation							
At 1 January 2019	-	5,057	176	8,886	95,545	392	110,056
Amortisation charged	-	646	114	1,106	9,871	103	11,840
Foreign exchange adjustments	-	74	-	182	-	-	256
At 30 June 2019	-	5,777	290	10,174	105,416	495	122,152
Accumulated impairment							
At 1 January/ 30 June 2019	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 June 2019	132,410	17,876	29,052	10,731	205,822	2,576	398,467
At 31 December 2018	131,478	18,522	27,259	11,674	209,280	2,679	400,892

B17. Performance Review

	Current Period			Cumulative Period		
	2019 RM'000	**2018 RM'000**	**+/(-) %**	**2019 RM'000**	**2018 RM'000**	**+/(-) %**
Revenue	601,890	582,729	3.3%	1,387,998	1,200,652	15.6%
Profit before interest and taxation	22,322	20,248	10.2%	61,974	56,426	9.8%
Profit before zakat and taxation	12,481	11,970	4.3%	42,724	40,677	5.0%
Profit for the financial period	9,262	5,766	60.6%	28,910	23,355	23.8%
Profit attributable to owners of the parent	9,281	5,394	72.1%	28,898	22,980	25.8%

Quarter 2 2019 vs Quarter 2 2018

For the second quarter ended 30 June 2019, the Group recorded a revenue of RM602 million, up by 3.3% compared with RM583 million in the previous year's corresponding quarter. This was mainly attributable to stronger demand under the Indonesia Division. The Group registered a profit before tax (PBT) of RM12 million, a 4.3% increase from last year's corresponding quarter despite increased marketing and promotional expenses as well as higher finance costs.

Accordingly, coupled with lower corporate tax expense, the Group delivered an improved profit after tax (PAT) of RM9 million for the quarter under review, compared with RM5 million in the previous year's corresponding quarter.

Period ended 30 June 2019 vs Period ended 30 June 2018

For the first six months of the financial year under review, the Group delivered a higher revenue of RM1.4 billion compared with RM1.2 billion in the same period last year. This was achieved on the back of strong performances from both the concession and non-concession businesses. This saw the Group's PBT increase by 5% to RM43 million, despite reduced contribution margins and higher finance costs. As a result of this coupled with lower corporate tax expense, the Group recorded a higher PAT of RM29 million compared with RM23 million in the same period last year.

The **Logistics and Distribution Division** recorded a higher PBT of RM19 million for the six-month period, reflecting a two-fold increase compared with RM9 million in last year's corresponding period. Despite higher operating costs, the improved performance was driven by better contributions from the non-concession business.

The **Manufacturing Division** posted a PBT of RM28 million, slightly lower than RM34 million in the same period last year. This was mainly due to reduced contributions from the concession business.

The **Indonesia Division** turned in a lower PBT of RM0.1 million compared with RM1.2 million in the same period last year. This was primarily attributable to lower contributions and higher operating costs.

Consolidated Statement of Financial Position

As at 30 June 2019, the higher receivables was a result of slow collections from key customers in Indonesia which has led to an increase in borrowings.

Consolidated Statement of Cash Flows

For the period under review, higher finance costs and zakat payments have contributed to the negative operating cash flows.

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

	Current Period	**Immediate Preceding Period**	
	2019 RM'000	**2019 RM'000**	**+/(-) %**
Revenue	601,890	786,108	-23.4%
Profit before interest and taxation	22,322	39,652	-43.7%
Profit before zakat and taxation	12,481	30,243	-58.7%
Profit for the financial period	9,262	19,648	-52.9%
Profit attributable to owners of the parent	9,281	19,617	-52.7%

In comparison with the immediate preceding quarter, the Group recorded a lower revenue of RM602 million for the current quarter. This was mainly due to reduced overall demand from both concession and non-concession businesses in Malaysia and Indonesia. As a result, the Group's PBT stood at RM12 million, compared with RM30 million in the immediate preceding quarter.

Accordingly, PAT for the quarter under review was lower at RM9 million, a drop from RM20 million in the immediate preceding quarter.

B19. Prospects

Over the long-term, the Group is confident that prospects for the healthcare industry are positive. Pharmaniaga is poised to tap into opportunities for growth as it expands its product portfolio to cater to evolving healthcare needs via its research and development drive. Moreover, strategic marketing initiatives will enable the Group to reinforce its foothold in the private sector.

In tandem, the Group continues to step up its global presence, particularly in Indonesia which remains a key growth area. The Group also remains focused on continuous enhancements in its operations to ensure greater efficiency and cost optimisation, in order to propel the sustainable growth of Pharmaniaga.

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	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Taxation based on profit for the period:				
- Current	**1,605**	3,719	**6,121**	7,859
- Deferred	**(611)**	1,504	**5,496**	8,525
	994	5,223	**11,617**	16,384
(Over)/under provision in prior years:				
- Current	**-**	-	**(341)**	(79)
- Deferred	**-**	-	**285**	36
	-	-	**(56)**	(43)
	994	5,223	**11,561**	16,341

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to certain non-allowable expenses.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

		30 June	30 June	31 December
		2019	2018	2018
		RM'000	RM'000	RM'000
Non-current:				
Hire purchase:				
- Denominated in Ringgit Malaysia		**-**	81	30
- Denominated in Indonesian Rupiah		**179**	111	72
		179	192	102
Current:				
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**241,629**	222,913	255,507
- Denominated in Indonesian Rupiah		**191,480**	131,462	136,756
Revolving credits		**270,000**	320,000	250,000
Hire purchase:				
- Denominated in Ringgit Malaysia		**25**	713	396
- Denominated in Indonesian Rupiah		**142**	83	86
		703,276	675,171	642,745
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**654,610,922**	466,865,248	475,395,833
Exchange rate for Indonesian Rupiah	**RM**	**0.0293**	0.0282	0.0288

As at 30 June 2019, the increased borrowings is primarily due to reduced collections from key customers in Indonesia.

As at 30 June 2019, the weighted average floating interest rate of borrowings is 5.8% (2018: 6.3%) per annum.

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 zakat and taxation is stated after charging/(crediting) the following:

	Current Period		Cumulative Period	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Depreciation and amortisation	**15,639**	12,483	**31,455**	22,391
Net (reversal of)/impairment of and write off of receivables	**(7,807)**	1,640	**(7,337)**	2,588
Net provision for stock obsolescence and write off of inventories	**4,108**	3,690	**5,136**	8,326
Net foreign exchange losses/(gain)	**106**	122	**135**	(396)

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 2019.

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 Per Share ("EPS")

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2019	2018	**2019**	2018
Profit attributable to owners of the Company (RM'000)	**9,281**	5,394	**28,898**	22,980
Average number of ordinary shares in issue ('000)	**260,585**	259,821	**260,585**	259,821
Basic earnings per share (sen)	**3.56**	2.08	**11.09**	8.84

(b) Diluted earnings per share

	Current Period 2019	Current Period 2018	Cumulative Period 2019	Cumulative Period 2018
Profit attributable to owners of the Company (RM'000)	**9,281**	5,394	**28,898**	22,980
Average number of ordinary shares in issue ('000)	**260,585**	259,821	**260,585**	259,821
Assumed shares issued under Long Term Incentive Plan ('000)	**916**	606	**916**	606
Weighted average number of ordinary shares in issue ('000)	**261,501**	260,427	**261,501**	260,427
Diluted earnings per share (sen)	**3.55**	2.07	**11.05**	8.82

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 23 August 2019.

By Order of the Board

Kuala Lumpur
23 August 2019

TASNEEM MOHD DAHALAN (LS0006966)