Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 June 2021	**Current Period**		**Cumulative Period**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue	**1,177,123**	645,763	**1,970,622**	1,465,684
Cost of sales	**(1,079,437)**	(569,296)	**(1,782,076)**	(1,290,885)
Gross profit	**97,686**	76,467	**188,546**	174,799
Other income	**322**	368	**539**	663
Operating expenses	**(67,617)**	(53,604)	**(121,867)**	(111,925)
Finance costs	**(8,387)**	(9,081)	**(13,822)**	(18,694)
Interest income	**240**	176	**372**	363
Profit before zakat and taxation	**22,244**	14,326	**53,768**	45,206
Zakat	**(600)**	(4)	**(1,200)**	(8)
Taxation	**(7,756)**	(4,715)	**(15,852)**	(13,176)
Profit for the financial period	**13,888**	9,607	**36,716**	32,022
Profit for the financial period attributable to:				
Owners of the parent	**13,704**	9,979	**36,840**	32,378
Non-controlling interests	**184**	(372)	**(124)**	(356)
Profit for the financial period	**13,888**	9,607	**36,716**	32,022
Earnings per share - sen				
- Basic	**1.05**	0.76 *	**2.82**	2.48 *
- Diluted	**1.05**	0.76 *	**2.82**	2.48 *

* For comparative purpose, the earnings per share for the quarter and cumulative period ended 30 June 2020 had been adjusted to reflect the bonus issue of 4 for every 1 existing ordinary share which was completed on 7 July 2021.

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

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2021	**Current Period**		**Cumulative Period**	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial period	**13,888**	9,607	**36,716**	32,022
Other comprehensive income/(loss), net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain/(loss) of foreign operations	**377**	15,893	**(1,455)**	3,373
Recognition of actuarial gain	**619**	-	**619**	-
	996	15,893	**(836)**	3,373
Total comprehensive income for the financial period	**14,884**	25,500	**35,880**	35,395
Attributable to:				
Owners of the parent	**15,295**	23,483	**35,889**	35,109
Non-controlling interests	**(411)**	2,017	**(9)**	286
Total comprehensive income for the financial period	**14,884**	25,500	**35,880**	35,395

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2021	As at 31 December 2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	**375,214**	365,529
Intangible assets	**208,842**	205,037
Rights-of-use assets	**31,863**	32,942
Deferred tax assets	**49,445**	50,405
	665,364	653,913
Current assets		
Inventories	**984,078**	586,713
Receivables	**822,720**	287,932
Amount due from immediate holding company	**-**	7
Tax recoverable	**10,229**	10,896
Deposits, cash and bank balances	**65,501**	40,696
	1,882,528	926,244
TOTAL ASSETS	**2,547,892**	1,580,157
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**154,051**	153,339
Reserves	**204,013**	184,189
Shareholders' equity	**358,064**	337,528
Non-controlling interests	**19,704**	17,437
Total equity	**377,768**	354,965
Non-current liabilities		
Borrowings	**116,299**	337
Lease liabilities	**634**	590
Deferred tax liabilities	**16,685**	16,239
Provision for defined benefit plan	**9,483**	10,259
Government grants	**3,779**	3,948
	146,880	31,373
Current liabilities		
Payables	**986,746**	515,088
Amount due to immediate holding company	**-**	74
Current tax liabilities	**9,638**	926
Contract liabilities	**6,558**	6,567
Government grants	**341**	341
Borrowings	**1,008,188**	669,272
Lease liabilities	**1,293**	1,551
Dividend payable	**10,480**	-
	2,023,244	1,193,819
Total liabilities	**2,170,124**	1,225,192
TOTAL EQUITY AND LIABILITIES	**2,547,892**	1,580,157

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 (199801011581 (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 2021	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 2021	**153,339**	**452**	**1,996**	**181,741**	**337,528**	**17,437**	**354,965**
- Net profit/(loss) for the financial period	**-**	**-**	**-**	**36,840**	**36,840**	**(124)**	**36,716**
- Other comprehensive (loss)/income	**-**	**(1,406)**	**-**	**455**	**(951)**	**115**	**(836)**
Total comprehensive (loss)/income for the financial period	**-**	**(1,406)**	**-**	**37,295**	**35,889**	**(9)**	**35,880**
Transactions with owners							
Share options granted under Long Term Incentive Plan	**-**	**-**	**64**	**-**	**64**	**-**	**64**
Issuance of new shares - Long Term Incentive Plan	**712**	**-**	**(712)**	**-**	**-**	**-**	**-**
Forfeiture of shares options under Share Option Plan	**-**	**-**	**(1,331)**	**1,331**	**-**	**-**	**-**
Forfeiture of shares under Long Term Incentive Plan	**-**	**-**	**(17)**	**17**	**-**	**-**	**-**
Changes in ownership interests in subsidiaries	**-**	**-**	**-**	**(2,320)**	**(2,320)**	**2,320**	**-**
Dividends	**-**	**-**	**-**	**(13,097)**	**(13,097)**	**(44)**	**(13,141)**
Total transactions with owners for the financial period	**712**	**-**	**(1,996)**	**(14,069)**	**(15,353)**	**2,276**	**(13,077)**
At 30 June 2021	**154,051**	**(954)**	**-**	**204,967**	**358,064**	**19,704**	**377,768**
At 1 January 2020	151,879	3,289	7,191	175,492	337,851	19,075	356,926
- Net profit/(loss) for the financial period	-	-	-	32,378	32,378	(356)	32,022
- Other comprehensive income	-	2,731	-	-	2,731	642	3,373
Total comprehensive income for the financial period	-	2,731	-	32,378	35,109	286	35,395
Transactions with owners							
Share options granted under Share Option Plan	-	-	91	-	91	-	91
Shares granted under Long Term Incentive Plan	-	-	645	-	645	-	645
Issuance of new shares - Long Term Incentive Plan	1,460	-	(1,460)	-	-	-	-
Forfeiture of shares options/ shares granter under							
- Share Option Plan	-	-	(2,840)	2,840	-	-	-
- Long Term Incentive Plan	-	-	(294)	294	-	-	-
Dividends	-	-	-	(15,674)	(15,674)	-	(15,674)
Total transactions with owners for the financial period	1,460	-	(3,858)	(12,540)	(14,938)	-	(14,938)
At 30 June 2020	153,339	6,020	3,333	195,330	358,022	19,361	377,383

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 (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2021

	2021	2020
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	**2,012,872**	1,270,527
Cash payments to suppliers and employees	**(2,407,403)**	(1,343,933)
Net cash used in operations	**(394,531)**	(73,406)
Interest paid	**(14,873)**	(21,184)
Tax (paid)/refunded	**(4,582)**	10,275
Zakat paid	**(451)**	(8)
Interest received	**372**	70
Net cash used in operating activities	**(414,065)**	(84,253)
Investing Activities		
Purchase of property, plant and equipment	**(11,120)**	(4,000)
Purchase of intangible assets	**(1,016)**	(2,429)
Proceeds from disposal of property, plant and equipment	**9**	1
Increase in investment in deposits maturing more than three (3) months	**(313)**	-
Net cash used in investing activities	**(12,440)**	(6,428)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(2,617)**	(15,674)
- non-controlling interests of a subsidiary	**(44)**	-
Net drawdown of borrowings	**454,629**	109,630
Payment of lease liabilities	**(334)**	-
Net cash generated from financing activities	**451,634**	93,956
Net increase in cash and cash equivalents	**25,129**	3,275
Effects of exchange rate changes	**(637)**	263
Cash and cash equivalent at beginning of period	**35,862**	22,950
Cash and cash equivalent at end of period	**60,354**	26,488
Analysis of cash and cash equivalents:		
Cash and bank balances	**33,254**	27,042
Deposits with licensed banks	**32,247**	5,676
	65,501	32,718
Less: Deposits maturing more than three (3) months	**(5,147)**	(4,834)
Less: Bank overdraft	-	(1,396)
	60,354	26,488

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 2021 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 2020. 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 2020.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020, 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 2021.

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

On 1 January 2021, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 "Leases" on ‘COVID-19 - Related Rent Concessions’.

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.

A2.2 Amendments that have been issued but not yet effective

i) Amendments to MFRS116 "Leases" on COVID-19 - Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021).

ii) Annual Improvements to MFRS 9 "Financial Instruments" on ‘Fees in the 10% test for derecognition of financial liabilities’ (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

iii) Amendments to MFRS 3 "Business Combinations" on ‘Reference to Conceptual Framework’ (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 ‘Provisions, contingent liabilities and contingent assets’ and IC Interpretation 21 ‘Levies’ when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

iv) Amendments to MFRS 116 "Property, Plant and Equipment" on ‘Proceeds before intended use’ (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

v) Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on ‘Onerous contracts—cost of fulfilling a contract’ (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

vi) Amendments to MFRS 101 "Presentation of Financial Statements" on ‘Classification of liabilities as current or non-current’ (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

The amendments shall be applied retrospectively.

vii) Amendments to MFRS 112 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

A2. Significant Accounting Policies (Cont'd)

A2.2 Amendments that have been issued but not yet effective (Cont'd)

viii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between Investor and its Associate or Joint Venture (the effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board).

ix) Amendments to MFRS 101 and MFRS Practice Statement 2 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

x) Amendments to MFRS 108 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

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 2020 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2020 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.

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:

a) The issuance of 286,000 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 8 June 2021. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

b) The bonus issue of up to 1,047,966,928 new ordinary shares in the Company on the basis of 4 Bonus Shares for every 1 existing ordinary share in the Company. The bonus issue was completed on 7 July 2021.

A8. Dividends

On 22 April 2021, the Company paid a fourth interim dividend of 0.2 sen* (2019: Nil) per share in respect of the financial year ended 31 December 2020 amounting to RM2.6 million (2019: Nil).

On 6 July 2021, the Company paid a first interim dividend of 0.8 sen* (2020: 1.2 sen*) per share in respect of the financial year ended 31 December 2021 amounting to RM10.4 million (2020: RM15.7 million).

For the second quarter, the Directors have declared a second interim dividend of 1.5 sen (2020: 0.5 sen*) per share in respect of the financial year ending 31 December 2021. The dividend will be paid on 30 September 2021 to shareholders registered in the Register of Members at the close of business on 8 September 2021.

* The number of ordinary shares in issue for the purpose of the computation of the dividend per share had been adjusted retrospectively to reflect the Company's Bonus Issue which were completed on 7 July 2021 as referred to in Note B22.

A9. Operating segments

Operating segments information for the period is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2021						
Revenue						
External revenue	1,203,019	347,650	419,953	-	-	1,970,622
Inter-segment revenue	-	109,153	-	-	(109,153)	-
Total revenue	1,203,019	456,803	419,953	-	(109,153)	1,970,622
Results						
Earnings before interest, taxation, depreciation and amortisation	40,024	36,281	9,776	(2,409)	-	83,672
Depreciation and amortisation	(3,790)	(9,045)	(3,619)	-	-	(16,454)
Finance costs	(5,796)	(3,490)	(6,510)	-	1,974	(13,822)
Interest income	2,122	212	12	-	(1,974)	372
Profit/(Loss) before zakat and taxation	32,560	23,958	(341)	(2,409)	-	53,768
Zakat	(1,200)	-	-	-	-	(1,200)
Taxation	(9,937)	(5,133)	(782)	-	-	(15,852)
Net profit/(loss) for the financial period	21,423	18,825	(1,123)	(2,409)	-	36,716
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,203,019	456,803	419,953	-	(109,153)	1,970,622
- Over time	-	-	-	-	-	-
	1,203,019	456,803	419,953	-	(109,153)	1,970,622
2020						
Revenue						
External revenue	1,051,637	1,661	412,386	-	-	1,465,684
Inter-segment revenue	-	134,971	-	-	(134,971)	-
Total revenue	1,051,637	136,632	412,386	-	(134,971)	1,465,684
Results						
Earnings before interest, taxation, depreciation and amortisation	49,005	22,109	10,950	(2,483)	-	79,581
Depreciation and amortisation	(4,716)	(8,155)	(3,173)	-	-	(16,044)
Finance costs	(7,658)	(1,652)	(9,719)	-	335	(18,694)
Interest income	404	286	8	-	(335)	363
Profit/(Loss) before zakat and taxation	37,035	12,588	(1,934)	(2,483)	-	45,206
Zakat	(8)	-	-	-	-	(8)
Taxation	(10,076)	(2,623)	(477)	-	-	(13,176)
Net profit/(loss) for the financial period	26,951	9,965	(2,411)	(2,483)	-	32,022
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,051,037	136,632	412,386	-	(134,971)	1,465,084
- Over time	600	-	-	-	-	600
	1,051,637	136,632	412,386	-	(134,971)	1,465,684

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					
	2021			2020		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,467,640,914	0.0286	419,953	1,414,383,540	0.0292	412,386
Earnings before interest, taxation, depreciation and amortisation	34,164,913	0.0286	9,776	37,555,833	0.0292	10,950

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 20 August 2021 that will materially affect the financial statements of the financial period under review except for the corporate proposals as disclosed in Note B22 below.

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 2021 except for:

a) the acquisition of a total 20,000 ordinary shares in Paradigm Industry Sdn Bhd ("PISB") by Pristine Pharma Sdn Bhd ("PPSB"), a wholly-owned subsidiary of the Company, for a purchase consideration of RM1.00 representing the remaining 20% of the total issued and paid-up capital of PISB.

b) the acquisition of a total 600,000 ordinary shares in Bio-Collagen Technologies Sdn Bhd ("BCT") for a purchase consideration of RM1.00 representing the remaining 30% of the total issued and paid-up capital of BCT.

Upon acquisition, both PISB and BCT are effectively 100% owned subsidiaries of the Company.

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 2021:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	55,535	61,767	117,302

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 2020.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in-progress	Manufacturing licence and trade name	Rights to supply	Intellectual property	Total
Cost							
At 1 January 2021	143,758	19,342	49,184	20,421	342,865	3,071	578,641
Additions	-	280	6,482	-	-	-	6,762
Transfer from property, plant and equipment	-	-	361	-	-	-	361
Written off	-	-	(1,388)	-	-	-	(1,388)
Foreign exchange adjustments	-	-	(1)	-	-	-	(1)
At 30 June 2021	143,758	19,622	54,638	20,421	342,865	3,071	584,375
Accumulated amortisation							
At 1 January 2021	-	3,551	553	13,178	342,865	804	360,951
Amortisation charged	-	682	133	1,011	-	103	1,929
Foreign exchange adjustments	-	-	-	-	-	-	-
At 30 June 2021	-	4,233	686	14,189	342,865	907	362,880
Accumulated impairment							
At 1 January/ 30 June 2021	12,653	-	-	-	-	-	12,653
Net carrying value							
At 30 June 2021	131,105	15,389	53,952	6,232	-	2,164	208,842
At 31 December 2020	131,105	15,791	48,631	7,243	-	2,267	205,037

B17. Performance Review

	Current Period			Cumulative Period		
	2021 **RM'000**	**2020** **RM'000**	**+/(-)** **%**	**2021** **RM'000**	**2020** **RM'000**	**+/(-)** **%**
Revenue	1,177,123	645,763	82.3%	1,970,622	1,465,684	34.5%
Earnings before interest, taxation, depreciation and amortisation	38,547	30,098	28.1%	83,672	79,581	5.1%
Profit before interest, zakat and taxation	30,391	23,231	30.8%	67,218	63,537	5.8%
Profit before zakat and taxation	22,244	14,326	55.3%	53,768	45,206	18.9%
Profit for the financial period	13,888	9,607	44.6%	36,716	32,022	14.7%
Profit attributable to owners of the parent	13,704	9,979	37.3%	36,840	32,378	13.8%

Quarter 2 2021 vs Quarter 2 2020

For the second quarter ended 30 June 2021, the Group recorded RM1.2 billion in revenue, a tremendous jump of 82% from RM646 million in the previous year's corresponding quarter. This was mainly due to higher demand from all segments, concession, non-concession and Indonesian businesses. The significant increase in non-concession business was attributable to the sales of Sinovac COVID-19 Vaccine to the Ministry of Health (MOH). In tandem with higher revenue, the Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) registered a 28% growth to RM39 million from RM30 million. Correspondingly, profit before zakat and taxation (PBT) for the quarter registered a 55% growth to RM22 million from RM14 million compared with previous corresponding quarter.

Period ended 30 June 2021 vs Period ended 30 June 2020

For the first six months financial period under review, the Group recorded a higher revenue of RM2.0 billion compared with RM1.5 billion in the same period last year. This was mainly attributable to strong demand from the concession business and sales of Sinovac COVID-19 Vaccine to the MOH. Similarly, the Group recorded a higher EBITDA of RM84 million, an increase of 5.1% against the year 2020. Thus, the Group delivered a higher PBT and PAT of RM54 million and RM37 million respectively.

The **Logistics and Distribution Division** recorded a lower PBT of RM33 million for the period under review, compared with RM37 million in the same period last year. There was a surge in demand for ventilators and personal protective equipment (PPE) in the previous period during the initial outbreak of the COVID-19 pandemic. However, the demand for PPE has normalised in the current period.

The Group continued to uphold the trust accorded by MOH to handle logistics and distribution services to deliver much-needed medical supplies to healthcare facilities during the pandemic. This include but not limited to personal protective equipment and medicines which were delivered efficiently across the nation and East Malaysia via air freight.

The Division has also been entrusted by the MOH to handle the logistics and distribution of the vaccines as well as all AstraZeneca COVID-19 vaccines received via AstraZeneca, COVAX Facility and also donations by foreign governments. Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly-owned subsidiary of the Company was chosen from an open tender by MOH as PLSB has the infrastructure, facilities and capabilities, with more than 26 years of proven track record of handling vaccines.

The **Manufacturing Division** turned in a PBT of RM24 million, a significant increase as compared with the corresponding period last year. This was mainly contributed by the fill and finish manufacturing of Sinovac COVID-19 Vaccine as well as an imported finished vaccine from Sinovac Life Sciences Co., Ltd. With the continued expansion of the vaccine manufacturing business and demand, the long-term prospect of the Division remains optimistic. The Division also continues to optimise operational efficiencies and build on its growing portfolio of products to broaden its global presence, as well as tapping on increased capacity utilisation via its contract manufacturing business.

The **Indonesia Division** registered a deficit of RM0.3 million for the financial period which shows an improvement compared with a deficit of RM2.0 million in the corresponding period last year. These were primarily due to the ongoing stock optimisation exercise, aggressive approach and efforts via a dedicated and specific task force in collection coupled with the reduction in finance costs. This is as a result of the lower overnight rate policy by the Indonesian Government.

Consolidated Statement of Financial Position

Higher trade receivables as of 30 June 2021 were mainly due to sales of COVID-19 vaccines to the Government, which collections received in July 2021 of approximately RM320 million. In addition, higher receivables were also due to advance payment made to the supplier on purchase of COVID-19 vaccines of close to RM120 million and sales of leukaemia drugs to the Government around RM90 million.

Higher inventories as of 30 June 2021 was mainly due to higher inventories for COVID-19 vaccines towards the end of the month of June 2021, circa RM450 million.

Higher payables as of 30 June 2021 was mainly due to advance payment made by customers on sales of COVID-19 vaccines and purchase of drugs for leukaemia patients of almost RM300 million and RM90 million, respectively.

Higher borrowings as of 30 June 2021 was primarily due to purchase of COVID-19 vaccines. There is a timing difference in terms of collection from customers which resulted in higher gearing ratio of 3.1. The gearing ratio will improve to 1.8 upon receipt of payment from the customer.

Consolidated Statement of Cash Flows

For the period under review, the deficit in operating cash flows were mainly due to purchase of COVID-19 vaccines. There is a timing difference in terms of collection from customers. The situation is expected to regularise in quarter 3 2021.

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

	Current Period	Immediate Preceding Period	
	2021	**2021**	**+/(-)**
	RM'000	**RM'000**	**%**
Revenue	1,177,123	793,499	48.3%
Earnings before interest, taxation, depreciation and amortisation	38,547	45,125	-14.6%
Profit before interest, zakat and taxation	30,391	36,827	-17.5%
Profit before zakat and taxation	22,244	31,524	-29.4%
Profit for the financial period	13,888	22,828	-39.2%
Profit attributable to owners of the parent	13,704	23,136	-40.8%

In comparison with the immediate preceding quarter, the Group recorded higher revenue of RM1,177 million for the current quarter. This was primarily attributable to the sales of the Sinovac COVID-19 Vaccine to the MOH. However, the Group recorded a lower PBT of RM22 million compared with RM32 million in the immediate preceding quarter. This was mainly due to higher selling and distribution expenses incurred on the frequent delivery of Sinovac COVID-19 Vaccine to *Pusat Pemberian Vaksin* (PPV) coupled with an increase in advertising and promotion expenses for over-the-counter consumer products.

Accordingly, PAT for the quarter under review stood at RM14 million, compared with RM23 million in the immediate preceding quarter.

B19. Prospects

At the end of 2020, Oxfam International reported the pandemic brought over by the COVID-19 virus has cost the world's economy USD11.7 trillion and expecting the number to further increase this year*. In Malaysia, the Government has allocated a total of RM55 billion for the COVID-19 Fund (KWC), of which RM38 billion has been utilised last year**.

KWC was established to improve the overall public health sector, including the implementation of the National COVID-19 Immunisation Programme (NIP). With the emergence of new variants that have caused life-threatening events, the Government has decided to increase its allocations up to RM3.5 billion to procure booster shots and to cover adolescents below 18 years of age***.

Recently, Sinovac COVID-19 Vaccine was approved for the adolescent population, aged 12-17 years in Indonesia and China. In addition, six countries are currently evaluating the use of Sinovac for adolescents, due to the increasing COVID-19 infectivity rate among children. The Group has submitted approval for the vaccine to be used for the adolescent population in Malaysia to NPRA and upon approval, it will create a demand for 6 million doses.

In this respect, the Group's prospects remain promising and ready to meet Malaysia's healthcare needs. As a leading pharmaceutical company, Pharmaniaga is well equipped and positioned to leverage the robust opportunities offered by the growing healthcare sector.

A proactive step was taken by the Group to accelerate the supply of Sinovac COVID-19 Vaccine to the Government of Malaysia by importing finished vaccines from Sinovac, which were distributed in parallel with the supply of fill and finish vaccines from its own plant in Puchong.

The Group has successfully delivered the last batch of the COVID-19 vaccine supply totalling 12.4 million doses to the Government on 21 July 2021, 4.5 months ahead of the initial contract schedule. In addition, the Group has also supplied additional 2 million doses to the Government at the end of July 2021. On 11 August 2021, the Group was awarded via the *Surat Setuju Terima (Tambahan) Perolehan Pembekalan* Covid-19 Vaccine with the Government, for the combined purchase of an additional 6.0 million doses of Fill & Finish and Imported Finished Product of Covid-19 Vaccine.

Moving forward, given Pharmaniaga's capability to continuously manufacture fill and finish Sinovac COVID-19 Vaccine, we are in a strategic position with the capacity to supply the vaccine to the Federal Government, the State Governments as well as the private sector in ensuring that the administration of vaccination process run smoothly and speedily.

The Group's high-tech plant under Pharmaniaga LifeScience Sdn Bhd has recently obtained approval from the National Pharmaceutical Regulatory Agency (NPRA) to manufacture fill and finish Sinovac COVID-19 Vaccine 2-dose per vial which immediately ramps up the plant's capacity from 2 million to 4 million doses per month, starting August 2021.

The Group expects Sinovac to offer booster shots soon, particularly for vulnerable and high-risk groups of the population in order to maintain protection against the virus, particularly from new variants.

It is also in discussions with Sinovac Biotech Ltd to facilitate the export of the vaccine to countries that face challenges in securing sufficient supply, including Indonesia, The Philippines, Cambodia, Thailand, as well as several African nations. Pharmaniaga's forward planning has allowed the Group to capitalise on these apt opportunities.

Beyond the COVID-19 vaccines, Pharmaniaga is steadfast in its commitment to grow its other business segments, which is in line with its long-term plans for sustainable growth. One of the core areas that the Group is focusing on is the Halal sector. The Group has embarked on establishing the world's first Halal vaccine facility, progress is on track and completion is targeted by 2024. This will create a new income stream for the Group.

In light of heightened demand from Malaysians for better healthcare, the Group is leveraging on its strengths in the health supplements segment by growing its portfolio of products in this area.

The Group is also aggressively pursuing the renewal of its contract to supply medicine and medical supplies to the Ministry of Health. The strong and proven track record coupled with the high end and sophisticated facilities that the Group entails makes the renewal of the concession a viable prospect. In line with the Group's focus on leveraging digitalisation within its value chain, the Group has strengthened its automation system particularly in its logistics segment improving end to end transportation and distribution processes.

B19. Prospects (Cont'd)

Prospects for the Group's non-concession business continue to be positive as the Group embark on strengthening its services in ensuring that the quality of its products met with the specific requirement set by the customers.

With the prospect of high demand for the COVID-19 vaccine, the Group expects its wholly-owned subsidiary, Pharmaniaga LifeScience Sdn Bhd (PLS) to continue manufacturing fill and finish of the vaccine as the plant has sufficient capacity to produce 4 million doses per month. PLS is the only specialised sterile small volume injectable (SVI) plant in Malaysia and it was awarded with the European Union (EU) Good Manufacturing Practice in 2013 by Infarmed Portugal. PLS also is the first pharmaceutical plant in Malaysia to have Track and Trace system (serialisation) and has started supplying products to the EU market.

With a population of close to 700 million, ASEAN countries offer significant opportunities despite the tough competition. The Group is focused on improving its Indonesian operations in order to capture the immense potential in Indonesia through the expansion of its distribution coverage coupled with strong products in the pipeline as part of its long term strategy in ensuring sustainable growth.

As the nation pushes forward amidst the continued resurgence of COVID-19 cases, Pharmaniaga is well-positioned to continuously support the Government and protect the Rakyat with our capabilities and facilities across various healthcare sectors.

The Group remains committed to R&D despite the heightened activity seen in terms of COVID-19 vaccine production. The expansion of its product pipeline via R&D as well as the execution of our dynamic strategy to broaden the Group’s presence in the private sector, particularly the consumer healthcare segment is expected to allow the Group to record improved revenue beyond the COVID-19 vaccines in the coming quarters.

* https://www.businesstoday.in/latest/world/story/global-cost-of-coronavirus-this-is-how-much-covid19-pandemic-has-cost-the-world-economy-281664-2020-12-16

** https://www.theedgemarkets.com/article/govt-ready-relax-debt-restrictions-file-motion-raise-debt-ceiling-september-says-tengku

*** https://codeblue.galencentre.org/2021/04/27/increased-covid-19-vaccine-allocation-to-cover-booster-shots-teens-khairy/

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**	
	2021	2020	**2021**	2020
	RM’000	RM’000	**RM’000**	RM’000
Taxation based on profit for the period:				
- Current	**6,438**	39	**14,040**	8,218
- Deferred	**1,318**	4,620	**2,099**	6,099
	7,756	4,659	**16,139**	14,317
Over provision in prior years:				
- Current	**-**	-	**(79)**	(184)
- Deferred	**-**	56	**(208)**	(957)
	-	56	**(287)**	(1,141)
	7,756	4,715	**15,852**	13,176

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

B22. Corporate Proposal

On 7 May 2021, the Company announced the following proposals:

Proposed Bonus Issue

The proposed bonus issue of up to 1,056,154,928 new ordinary shares in Pharmaniaga (“Bonus Share(s)”) on the basis of 4 Bonus Shares for every 1 existing ordinary share in Pharmaniaga (“Pharmaniaga Share(s)” or “Share(s)”) held on an entitlement date to be determined and announced later (“Entitlement Date”) (“Proposed Bonus Issue”).

The Proposed Bonus Issue is subject to the following approvals being obtained:

(i) Bursa Securities, for the listing of and quotation for up to 1,056,154,928 Bonus Shares to be issued on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue; and

(ii) the shareholders of Pharmaniaga, at the forthcoming extraordinary general meeting of the Company (“EGM”) to be convened; and

(iii) approvals of any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue has been completed on 7 July 2021.

Proposed By-Laws Amendment

Pharmaniaga had on 13 May 2016 (“Effective Date”) implemented the Share Issuance Scheme ("Scheme") which is in force for 5 years and will be valid until 12 May 2021 (“Initial Term”). However, the Board has the sole and absolute discretion to extend the duration of the Initial Term for up to another 5 years immediately after the expiry of the Initial Term provided that the duration of the Scheme does not exceed a maximum of 10 years in its entirety from the Effective Date.

The Board has resolved to extend the duration of the Initial Term of the Scheme for a further period of 5 years from 13 May 2021 to 12 May 2026, in accordance with the terms of the By-Laws.

B22. Corporate Proposal (Cont'd)

On 7 May 2021, the Company announced the following proposals (cont'd):

Proposed By-Laws Amendment (cont'd)

The proposed amendments to the by-laws governing the existing Scheme ("Proposed By-Laws Amendment") shall consist of the following amendments to the following terms under the By-Laws:

(i) amending the definition of eligible persons as specified under the By-Laws to include all employees of Pharmaniaga Group (excluding foreign and dormant subsidiaries) to enable them to participate in the Option Plan and LTIP under the Scheme;

(ii) streamlining the By-Laws to be aligned with the Companies Act, 2016 ("Act"), which had come into force on 31 January 2017, and to be in compliance with the Listing Requirements, which include amongst others, the abolition of the par value regime and the maximum allocation to the Directors and senior management;

(iii) providing that not more than 65% of the total number of Pharmaniaga Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are eligible persons under the Scheme (where "senior management" shall be subject to any criteria as may be determined at the sole discretion of the committee established to administer the Scheme ("Scheme Committee") from time to time); and

(iv) reducing the Maximum Shares Available from 15% to 8.5% of the then issued share capital (excluding treasury shares) of the Company at any point of time, from time to time, during the duration of the Scheme.

The Proposed By-Laws Amendment is in line with the rationale to attract, retain, motivate and reward valuable employees of Pharmaniaga Group through the award of ordinary shares in Pharmaniaga Berhad ("Pharmaniaga Shares") or the rights to subscribe for Pharmaniaga Shares as determined by the Scheme Committee.

The Proposed By-Laws Amendment has been approved by the shareholders of Pharmaniaga at the EGM on 16 June 2021.

B23. Borrowings and Debt Securities - Unsecured

		30 June 2021 RM'000	30 June 2020 RM'000	31 December 2020 RM'000
Non-current:				
Revolving credits		**116,000**	-	-
Hire purchase:				
- Denominated in Ringgit Malaysia		**193**	332	155
- Denominated in Indonesian Rupiah		**106**	90	182
		116,299	422	337
Current:				
Bankers' acceptances:				
- Denominated in Ringgit Malaysia		**520,912**	208,943	315,396
- Denominated in Indonesian Rupiah		**141,129**	201,292	123,441
- Denominated in US Dollar		**149,519**	-	-
Revolving credits		**196,000**	265,000	230,000
Hire purchase:				
- Denominated in Ringgit Malaysia		**477**	246	289
- Denominated in Indonesian Rupiah		**151**	117	146
Bank overdraft - denominated in Indonesian Rupiah		**-**	1,396	-
		1,008,188	676,994	669,272
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**494,356,643**	671,663,333	432,758,741
Exchange rate for Indonesian Rupiah	**RM**	**0.0286**	0.0300	0.0286

As at 30 June 2021, the increase in borrowings was primarily due to purchase of COVID-19 vaccines. There is a timing difference in terms of collection from customers which resulted in higher gearing ratio of 3.1. The gearing ratio will improve to 1.8 upon receipt of payment from the customer.

As at 30 June 2021, the weighted average floating interest rate of borrowings was 3.1% (2020: 3.8%) 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	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Depreciation and amortisation	**8,156**	6,867	**16,454**	16,044
Net impairment of and write off of receivables	**286**	275	**1,167**	766
Net provision for stock obsolescence and write off of inventories	**3,749**	3,542	**6,695**	6,771
Net foreign exchange losses/(gains)	**445**	(100)	**(48)**	249

Other than the items mentioned above which have been included in the consolidated statement of profit or loss 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 2021.

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	
	2021	2020	**2021**	2020
Profit attributable to owners of the Company (RM'000)	**13,704**	9,979	**36,840**	32,378
Average number of ordinary shares in issue ('000)	**1,308,702**	1,306,175	**1,308,702**	1,306,175
Basic earnings per share (sen)	**1.05**	0.76	**2.82**	2.48

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	**13,704**	9,979	**36,840**	32,378
Average number of ordinary shares in issue ('000)	**1,308,702**	1,306,175	**1,308,702**	1,306,175
Assumed shares issued under Long Term Incentive Plan ('000)	**-**	1,730	**-**	1,730
Weighted average number of ordinary shares in issue ('000)	**1,308,702**	1,307,905	**1,308,702**	1,307,905
Diluted earnings per share (sen)	**1.05**	0.76	**2.82**	2.48

For comparative purpose, the earnings per share for the quarter and cumulative period ended 30 June 2020 had been adjusted to reflect the bonus issue of 4 for every 1 existing ordinary share which was completed on 7 July 2021.

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 20 August 2021.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010452)
SYARUZAIMI BIN YUSOF (LS 0010451)
Company Secretaries

Kuala Lumpur
20 August 2021