

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 June 2022	Current Period		Cumulative Period	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	761,102	1,177,123	1,723,276	1,970,622
Cost of sales	(676,267)	(1,079,437)	(1,522,628)	(1,782,076)
Gross profit	84,835	97,686	200,648	188,546
Other income	67	322	258	539
Operating expenses	(71,015)	(67,617)	(141,713)	(121,867)
Finance costs	(9,586)	(8,387)	(17,779)	(13,822)
Interest income	220	240	546	372
Profit before zakat and taxation	4,521	22,244	41,960	53,768
Zakat	(600)	(600)	(1,200)	(1,200)
Taxation	(3,007)	(7,756)	(10,990)	(15,852)
Profit for the financial period	914	13,888	29,770	36,716
Profit for the financial period attributable to:				
Owners of the parent	722	13,704	28,456	36,840
Non-controlling interests	192	184	1,314	(124)
Profit for the financial period	914	13,888	29,770	36,716
Earnings per share - sen				
- Basic	0.06	1.05	2.17	2.82
- Diluted	0.06	1.05	2.17	2.82

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 2022	Current Period		Cumulative Period	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	914	13,888	29,770	36,716
<u>Other comprehensive income/(loss), net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain/(loss) of foreign operations	1,306	377	1,818	(1,455)
Recognition of actuarial gain	-	619	-	619
	<u>1,306</u>	<u>996</u>	<u>1,818</u>	<u>(836)</u>
Total comprehensive income for the financial period	2,220	14,884	31,588	35,880
Attributable to:				
Owners of the parent	1,838	15,295	30,016	35,889
Non-controlling interests	382	(411)	1,572	(9)
Total comprehensive income for the financial period	2,220	14,884	31,588	35,880

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2022	As at 31 December 2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	385,913	364,617
Intangible assets	211,478	208,013
Rights-of-use assets	35,218	30,973
Deferred tax assets	32,081	33,066
	<u>664,690</u>	<u>636,669</u>
Current assets		
Inventories	1,267,833	1,264,369
Receivables	455,263	297,753
Tax recoverable	13,271	6,713
Deposits, cash and bank balances	39,887	52,359
	<u>1,776,254</u>	<u>1,621,194</u>
TOTAL ASSETS	<u>2,440,944</u>	<u>2,257,863</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	154,051	154,051
Reserves	252,453	296,411
Shareholders' equity	<u>406,504</u>	<u>450,462</u>
Non-controlling interests	21,452	19,979
Total equity	<u>427,956</u>	<u>470,441</u>
Non-current liabilities		
Borrowings	299,894	285,170
Lease liabilities	3,635	441
Deferred tax liabilities	23,141	21,352
Provision for defined benefit plan	9,957	9,079
Government grants	3,507	3,617
	<u>340,134</u>	<u>319,659</u>
Current liabilities		
Payables	847,735	858,408
Amount due to immediate holding company	6,191	1,208
Current tax liabilities	808	14,438
Contract liabilities	22,731	22,128
Government grants	274	332
Borrowings	781,673	570,056
Lease liabilities	2,962	1,193
Dividend payable	10,480	-
	<u>1,672,854</u>	<u>1,467,763</u>
Total liabilities	<u>2,012,988</u>	<u>1,787,422</u>
TOTAL EQUITY AND LIABILITIES	<u>2,440,944</u>	<u>2,257,863</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter ended 30 June 2022	Attributable to shareholders of the Company						
	<----- Non-distributable ----->			Distributable	Total	Non-controlling Interests	Total Equity
	Share Capital	Exchange Reserve	Share Reserve	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2022	154,051	1,016	1,670	293,725	450,462	19,979	470,441
- Net profit for the financial period	-	-	-	28,456	28,456	1,314	29,770
- Other comprehensive income	-	1,560	-	-	1,560	258	1,818
Total comprehensive income for the financial period	-	1,560	-	28,456	30,016	1,572	31,588
Transactions with owners							
Share options granted under Share Option Plan	-	-	2,004	-	2,004	-	2,004
Dividends	-	-	-	(75,978)	(75,978)	(99)	(76,077)
Total transactions with owners for the financial period	-	-	2,004	(75,978)	(73,974)	(99)	(74,073)
At 30 June 2022	154,051	2,576	3,674	246,203	406,504	21,452	427,956
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							
Shares granted under Long Term Incentive Plan	-	-	64	-	64	-	64
Issuance of new shares - Long Term Incentive Plan	712	-	(712)	-	-	-	-
Forfeiture of shares options/ shares granter under							
- Share Option Plan	-	-	(1,331)	1,331	-	-	-
- Long Term Incentive Plan	-	-	(17)	17	-	-	-
Changes in ownership interest 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

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2022

	2022	2021
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	1,585,875	2,012,872
Cash payments to suppliers and employees	<u>(1,673,953)</u>	<u>(2,407,403)</u>
Net cash used in operations	(88,078)	(394,531)
Interest paid	(22,081)	(14,873)
Tax paid	(26,163)	(4,582)
Zakat paid	-	(451)
Interest received	<u>546</u>	<u>372</u>
Net cash used in operating activities	<u>(135,776)</u>	<u>(414,065)</u>
Investing Activities		
Purchase of property, plant and equipment	(31,107)	(11,120)
Purchase of intangible assets	(5,238)	(1,016)
Proceeds from disposal of property, plant and equipment	6	9
Increase in investment in deposits maturing more than three (3) months	<u>(16)</u>	<u>(313)</u>
Net cash used in investing activities	<u>(36,355)</u>	<u>(12,440)</u>
Financing Activities		
Dividends paid to:		
- owners of the Company	(65,498)	(2,617)
- non-controlling interests of a subsidiary	(99)	(44)
Net drawdown of borrowings	226,236	454,629
Payment of lease liabilities	<u>(1,502)</u>	<u>(334)</u>
Net cash generated from financing activities	<u>159,137</u>	<u>451,634</u>
Net increase in cash and cash equivalents	(12,994)	25,129
Effects of exchange rate changes	506	(637)
Cash and cash equivalent at beginning of period	<u>47,112</u>	<u>35,862</u>
Cash and cash equivalent at end of period	<u>34,624</u>	<u>60,354</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	34,624	33,254
Deposits with licensed banks	<u>5,263</u>	<u>32,247</u>
	39,887	65,501
Less: Deposits maturing more than three (3) months	<u>(5,263)</u>	<u>(5,147)</u>
	<u>34,624</u>	<u>60,354</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 2022 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 2021. 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 2021.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021, 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 2022.

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

On 1 January 2022, the Group applied the following new published standard and amendments to published standards:

- Annual Improvements to MFRS 9 "Financial Instruments" on 'Fees in the 10% test for derecognition of financial liabilities'.
- Amendments to MFRS 3 "Business Combinations" on 'Reference to Conceptual Framework'.
- Amendments to MFRS 116 "Property, Plant and Equipment" on 'Proceeds before intended use'.
- Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on 'Onerous contracts—cost of fulfilling a contract'.

The adoption of the above amendments to published standards did not have any significant impact on the amounts recognised in the current period as well as any prior period and is not expected to significantly affect future periods.

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

- i) 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

- ii) Amendments to MFRS 112 "Income Taxes" on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- iii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" on '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).
- iv) Amendments to MFRS 101 "Presentation of Financial Statements" 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

A2. Significant Accounting Policies (Cont'd)

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

- v) Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" (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 2021 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2021 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.

A8. Dividends

On 5 April 2022, the Company paid a fourth interim dividend of 5.0 sen (2020: 0.2 sen*) per share in respect of the financial year ended 31 December 2021 amounting to RM65.5 million (2020: RM2.6 million).

On 6 July 2022, the Company paid a first interim dividend of 0.8 sen (2021: 0.8 sen*) per share in respect of the financial year ending 31 December 2022 amounting to RM10.5 million (2021: RM10.5 million).

For the second quarter, the Directors have declared a second interim dividend of 0.5 sen (2021: 1.5 sen) per share in respect of the financial year ending 31 December 2022. The dividend will be paid on 4 October 2022 to shareholders registered in the Register of Members at the close of business on 12 September 2022.

* 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A9. Operating segments**

Operating segments information for the period is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2022						
Revenue						
External revenue	1,242,017	9,331	471,928	-	-	1,723,276
Inter-segment revenue	-	124,634	-	-	(124,634)	-
Total revenue	1,242,017	133,965	471,928	-	(124,634)	1,723,276
Results						
Earnings before interest, taxation, depreciation and amortisation						
Depreciation and amortisation	42,368	27,225	14,290	(7,202)	-	76,681
Finance costs	(4,037)	(9,577)	(3,874)	-	-	(17,488)
Interest income	(11,224)	(223)	(6,805)	-	473	(17,779)
Profit before zakat and taxation	27,794	17,729	3,639	(7,202)	-	41,960
Zakat	(1,200)	-	-	-	-	(1,200)
Taxation	(6,438)	(4,707)	155	-	-	(10,990)
Net profit for the financial period	20,156	13,022	3,794	(7,202)	-	29,770
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,242,017	133,965	471,928	-	(124,634)	1,723,276
- Over time	-	-	-	-	-	-
	1,242,017	133,965	471,928	-	(124,634)	1,723,276
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						
Depreciation and amortisation	40,024	36,281	9,776	(2,409)	-	83,672
Finance costs	(3,790)	(9,045)	(3,619)	-	-	(16,454)
Interest income	(5,796)	(3,490)	(6,510)	-	1,974	(13,822)
Profit/(Loss) before zakat and taxation	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

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					
	2022			2021		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,611,900,944	0.0293	471,928	1,467,640,914	0.0286	419,953
Earnings before interest, taxation, depreciation and amortisation	48,808,429	0.0293	14,290	34,164,913	0.0286	9,776

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**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 19 August 2022 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 2022.

A13. Contingent Liabilities

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

A14. Commitments

The Group has the following commitments as at 30 June 2022:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	26,463	255,905	282,368

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 2021.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in- progress	Manufacturing licence and trade name	Intellectual property	Total
Cost						
At 1 January 2022	144,876	20,691	58,404	20,833	3,071	247,875
Additions	-	255	5,022	-	-	5,277
Written off	-	-	(498)	-	-	(498)
Foreign exchange adjustments	746	4,358	-	279	-	5,383
At 30 June 2022	145,622	25,304	62,928	21,112	3,071	258,037
Accumulated amortisation						
At 1 January 2022	-	5,049	821	15,520	975	22,365
Amortisation charged	-	711	382	1,036	-	2,129
Written off	-	-	-	-	-	-
Foreign exchange adjustments	-	4,358	-	210	-	4,568
At 30 June 2022	-	10,118	1,203	16,766	975	29,062
Accumulated impairment						
At 1 January 2022/ 30 June 2022	15,401	-	-	-	2,096	17,497
Net carrying value						
At 30 June 2022	130,221	15,186	61,725	4,346	-	211,478
At 31 December 2021	129,475	15,642	57,583	5,313	-	208,013

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B17. Performance Review**

	Current Period			Cumulative Period		
	2022 RM'000	2021 RM'000	+ / (-) %	2022 RM'000	2021 RM'000	+ / (-) %
Revenue	761,102	1,177,123	-35.3%	1,723,276	1,970,622	-12.6%
Earnings before interest, taxation, depreciation and amortisation	22,897	38,547	-40.6%	76,681	83,672	-8.4%
Profit before interest, zakat and taxation	13,887	30,391	-54.3%	59,193	67,218	-11.9%
Profit before zakat and taxation	4,521	22,244	-79.7%	41,960	53,768	-22.0%
Profit for the financial period	914	13,888	-93.4%	29,770	36,716	-18.9%
Profit attributable to owners of the parent	722	13,704	-94.7%	28,456	36,840	-22.8%

Quarter 2 2022 vs Quarter 2 2021

For the second quarter ended 30 June 2022, the Group recorded RM761.1 million in revenue, a reduction of 35.3% from RM1.2 billion in the previous year's corresponding quarter as we exit the pandemic and enter into an endemic phase. Furthermore, the Group reported lower sales from its non-concession segment due to the timing of orders from MOH on products under the tender business. There was also lower revenue in other segments including Indonesia businesses as a result of the festive season during the quarter.

In tandem with the lower revenue, the Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) declined 40.6% to RM22.9 million compared with RM38.5 million previously. Correspondingly, profit before zakat and taxation (PBT) for the quarter decreased 79.7% to RM4.5 million, compared with RM22.2 million in the previous year's corresponding quarter.

Period ended 30 June 2022 vs Period ended 30 June 2021

For the first six months of 2022, the Group registered 12.6% lower revenue of RM1.7 billion as compared with RM2.0 billion in the same period last year as we exit the pandemic and enter into an endemic phase. The Group registered a robust growth in the Group's concession business as additional products were added into the concession list. In addition, there was an improved contribution from the private sector by 30% as a result from increased advertising and promotional efforts. The Group's Indonesia segment continues to post encouraging performance leveraging on the improved operational efficiency through digitalisation as well as aggressive sales efforts.

The Group posted lower EBITDA and PBT of RM76.7 million and RM42.0 million respectively, decreasing from RM83.7 million and RM53.8 million respectively in the same period last year. This was largely due to higher operating expenditure incurred from higher staff costs as a result of increased headcount subsequent to the reorganisation exercise coupled with higher marketing and promotion expenses in respect of various promotional activities during the period. The bottomline was further impacted by higher finance costs on the back of higher borrowings during the financial period under review.

The **Logistics and Distribution Division** recorded higher earnings before interest, taxation, depreciation and amortisation of RM42.4 million for the six months period ended 30 June 2022 compared to RM40.0 million in the previous year's corresponding period. This was mainly attributable to stronger contributions from the concession business as additional products were added into the concession list coupled with higher demand of inhouse products from the Ministry of Health (MOH). This was further supported by improved contribution from the private sector as a result of higher sales from the increased advertising and promotional efforts. However, profit before zakat and taxation (PBT) declined to RM27.8 million from RM32.6 million due to higher operating expenses mainly staff costs, travelling expenses, advertising and promotion costs as well as finance costs on the back of higher borrowings during the financial period under review.

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 includes, but not limited to, personal protective equipment and medicines, which were delivered efficiently across the nation and East Malaysia via air freight.

The **Manufacturing Division** recorded a PBT of RM17.7 million on the back of RM134.0 million revenue for the financial period under review. With continued expansion of the Group's new product portfolio coupled with sustained demand, the Group's long-term prospects for its manufacturing division remain optimistic. Going forward, the Group will continue to actively enhance the division's operational efficiency and will build on its growing portfolio of products to broaden its global presence, as well as leverage on its increased capacity utilisation via its contract manufacturing business.

The **Indonesia Division** registered a PBT of RM3.6 million for the financial period under review, a significant improvement compared with the loss before zakat and taxation of RM0.3 million in the corresponding period last year. This was primarily due to its operational efficiency through digitalisation as well as aggressive sales efforts.

Consolidated Statement of Financial Position

Most of receivables are derived from the Government, which collection will be fully settled by end of the year, hence lower receivables and borrowings as at 31 December 2021 against the second quarter of 2022.

Consolidated Statement of Cash Flows

For the period under review, the deficit in cash from operations was mainly due to lower collection from customers which was in tandem with lower sales in May and June 2022.

The higher purchase of fixed assets was for halal vaccine and insulin projects.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter**

	Current Period	Immediate Preceding Period	
	2022 RM'000	2022 RM'000	+ / (-) %
Revenue	761,102	962,174	-20.9%
Earnings before interest, taxation, depreciation and amortisation	22,897	53,784	-57.4%
Profit before interest, zakat and taxation	13,887	45,306	-69.3%
Profit before zakat and taxation	4,521	37,439	-87.9%
Profit for the financial period	914	28,856	-96.8%
Profit attributable to owners of the parent	722	27,734	-97.4%

In comparison with the immediate preceding quarter, the Group registered 20.9% lower revenue of RM761.1 million in the quarter under review, largely due to lower contributions from the concession and Indonesia businesses as a result of the festive season. Hence, the Group's PBT declined 87.9% to RM4.5 million in the quarter under review from RM37.4 million in the immediate preceding quarter.

Correspondingly, the Group's PAT for the quarter under review decreased 96.8% to RM0.9 million from RM28.9 million in the immediate preceding quarter.

B19. Prospects

The Group's business in Indonesia continues to post encouraging performance leveraging on the improved operational efficiency through digitalisation as well as aggressive sales efforts. This is a sustainable exercise with the aim of capitalising the 280 million population in the country.

On the local front, the Group is focusing to leverage its business portfolio in the private market, especially for over-the-counter and ethical products to pharmacies, hospitals and clinics across the country whilst concentrating on the extension of its logistics and distribution agreement with the Ministry of Health (MOH), targeted to be executed in the fourth quarter of 2022.

The recent shortages of drugs have resulted in the Government approval of releasing its medicine stockpile to the private sector with the Group being tasked to manage the release of these medicines. This resulted in the surge for the demand of its generic pharmaceutical products to 4-fold. The Group expects the medicine shortage to normalise by fourth quarter of 2022.

In line with the expansion programme, the Group signed a Memorandum of Collaborations with Suzhou Ronnsi Pharma Co., Ltd (Ronnsi) in July 2022 to commercialise the first Halal ovine-based (sheep and goat) anti-coagulant blood clot thinner in Malaysia. This partnership is timely as the usage of anti-coagulants in Malaysia has surged since last year and is widely used to prevent severe complications of COVID-19 related illnesses. This expansion is without ignoring the fact that the new COVID-19 Omicron variant BA.5 that is highly infectious has caused a resurgence of COVID-19 cases in Malaysia. Following the MOH's move to allow second vaccine booster shots for those aged between 50 to 59 years without any comorbidities, the Group is currently undertaking the necessary research to study the efficacy of Sinovac vaccine as a second vaccine booster shot. This will allow us to utilise our Sinovac vaccine inventory to provide the nation with an additional vaccine choice.

The Group is cautious in moving forward taking into consideration various market uncertainties impacting the global economy such as the rise in raw material prices and increased in interest rates.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Taxation based on profit for the period:				
- Current	523	6,438	5,545	14,040
- Deferred	1,314	1,318	5,416	2,099
	1,837	7,756	10,961	16,139
Under /(Over) provision in prior periods:				
- Current	1,170	-	29	(79)
- Deferred	-	-	-	(208)
	1,170	-	29	(287)
	3,007	7,756	10,990	15,852

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B22. Corporate Proposal**

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities

	30 June 2022 RM'000	30 June 2021 RM'000	31 December 2021 RM'000
Non-current:			
Term loan	23,533	-	2,690
Revolving credits	275,990	116,000	282,299
Hire purchase:			
- Denominated in Ringgit Malaysia	139	193	115
- Denominated in Indonesian Rupiah	232	106	66
	299,894	116,299	285,170
Current:			
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	452,819	520,912	397,261
- Denominated in Indonesian Rupiah	157,926	141,129	146,717
- Denominated in US Dollar	-	149,519	-
Revolving credits	170,608	196,000	25,700
Hire purchase:			
- Denominated in Ringgit Malaysia	182	477	258
- Denominated in Indonesian Rupiah	138	151	120
	781,673	1,008,188	570,056
The amount of borrowings denominated in Indonesian Rupiah	IDR'000 534,783,784	494,356,643	503,092,466
Exchange rate for Indonesian Rupiah	RM 0.0296	0.0286	0.0292

The Government will fully settle the outstanding debts by end of the year, hence, lower borrowings as at 31 December 2021 as compared with 30 June 2022.

As at 30 June 2022, the weighted average floating interest rate of borrowings was 3.6% (2021: 3.1%) 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation and amortisation	9,010	8,156	17,488	16,454
Net impairment of and write off of receivables	263	286	172	1,167
Net provision for stock obsolescence and write off of inventories	6,112	3,749	8,291	6,695
Write off of intangible assets	126	1,388	498	1,388
Net foreign exchange losses/(gains)	335	445	1,135	(48)

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 2022.

B25. Profit Forecast

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B26. Earnings Per Share (“EPS”)**

(a) Basic earnings per share

	Current Period		Cumulative Period	
	2022	2021	2022	2021
Profit attributable to owners of the Company (RM'000)	722	13,704	28,456	36,840
Average number of ordinary shares in issue ('000)	1,309,959	1,308,702	1,309,959	1,308,702
Basic earnings per share (sen)	0.06	1.05	2.17	2.82

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	722	13,704	28,456	36,840
Average number of ordinary shares in issue ('000)	1,309,959	1,308,702	1,309,959	1,308,702
Assumed shares issued under Long Term Incentive Plan ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	1,309,959	1,308,702	1,309,959	1,308,702
Diluted earnings per share (sen)	0.06	1.05	2.17	2.82

The options granted under the Group's Option Plan are anti-dilutive as they are out-of-the-money and have not been considered in the calculation of diluted earnings per share.

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 19 August 2022.

By Order of the Board

Kuala Lumpur
19 August 2022

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