

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 30 June 2023	Current Period		Cumulative Period	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	848,734	761,102	1,729,188	1,723,276
Cost of sales	(751,764)	(676,267)	(1,538,052)	(1,522,628)
Gross profit	96,970	84,835	191,136	200,648
Other income	550	67	1,155	258
Operating expenses	(75,944)	(71,015)	(148,203)	(141,713)
Finance costs	(15,380)	(9,586)	(29,362)	(17,779)
Interest income	146	220	809	546
Profit before zakat and taxation	6,342	4,521	15,535	41,960
Zakat	-	(600)	-	(1,200)
Taxation	(4,018)	(3,007)	(10,445)	(10,990)
Profit for the financial period	2,324	914	5,090	29,770
Profit for the financial period attributable to:				
Owners of the parent	1,961	722	4,608	28,456
Non-controlling interests	363	192	482	1,314
Profit for the financial period	2,324	914	5,090	29,770
Earnings per share - sen				
- Basic	0.15	0.06	0.35	2.17
- Diluted	0.15	0.06	0.35	2.17

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 2023	Current Period		Cumulative Period	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	2,324	914	5,090	29,770
<u>Other comprehensive income, net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain of foreign operations	4,148	1,306	7,559	1,818
Recognition of actuarial gain	-	-	119	-
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	-	-	101,870	-
	<u>4,148</u>	<u>1,306</u>	<u>109,548</u>	<u>1,818</u>
Total comprehensive income for the financial period	<u>6,472</u>	<u>2,220</u>	<u>114,638</u>	<u>31,588</u>
Attributable to:				
Owners of the parent	5,015	1,838	110,771	30,016
Non-controlling interests	1,457	382	3,867	1,572
Total comprehensive income for the financial period	<u>6,472</u>	<u>2,220</u>	<u>114,638</u>	<u>31,588</u>

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 2023	As at 31 December 2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	496,354	404,188
Intangible assets	164,148	160,561
Rights-of-use assets	79,995	38,846
Deferred tax assets	25,718	27,047
	<u>766,215</u>	<u>630,642</u>
Current assets		
Inventories	672,991	767,263
Receivables	583,131	351,664
Tax recoverable	11,982	16,343
Deposits, cash and bank balances	27,774	52,849
	<u>1,295,878</u>	<u>1,188,119</u>
TOTAL ASSETS	<u>2,062,093</u>	<u>1,818,761</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	154,189	154,189
Reserves	(292,161)	(402,931)
Shareholders' equity	<u>(137,972)</u>	<u>(248,742)</u>
Non-controlling interests	25,042	21,386
Capital deficiency	<u>(112,930)</u>	<u>(227,356)</u>
Non-current liabilities		
Borrowings	221,290	190,627
Lease liabilities	1,643	4,038
Deferred tax liabilities	45,207	18,815
Provision for defined benefit plan	11,197	9,051
Government grants	3,228	3,358
	<u>282,565</u>	<u>225,889</u>
Current liabilities		
Payables	940,784	802,704
Amount due to immediate holding company	2,046	688
Current tax liabilities	4,133	4,273
Contract liabilities	25,384	31,017
Government grants	260	260
Borrowings	914,605	968,272
Lease liabilities	5,246	5,155
Dividend payable	-	7,859
	<u>1,892,458</u>	<u>1,820,228</u>
Total liabilities	<u>2,175,023</u>	<u>2,046,117</u>
TOTAL EQUITY AND LIABILITIES	<u>2,062,093</u>	<u>1,818,761</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 period ended 30 June 2023	Attributable to shareholders of the Company							
	<----- Non-distributable ----->				Distributable (Accumulated losses) /		Non- controlling Interests	Total Equity
	Share Capital	Exchange Reserve	Revaluation Reserve	Share Reserve	Retained Earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2023	154,189	(2,281)	-	3,624	(404,274)	(248,742)	21,386	(227,356)
- Net profit for the financial period	-	-	-	-	4,608	4,608	482	5,090
- Other comprehensive income	-	5,571	98,812	-	1,779	106,162	3,385	109,547
Total comprehensive income for the financial period	-	5,571	98,812	-	6,387	110,770	3,867	114,637
Transactions with owners								
Dividends	-	-	-	-	-	-	(211)	(211)
Total transactions with owners for the financial period	-	-	-	-	-	-	(211)	(211)
At 30 June 2023	154,189	3,290	98,812	3,624	(397,887)	(137,972)	25,042	(112,930)
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

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 quarter ended 30 June 2023

	2023	2022
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	1,566,726	1,585,875
Cash payments to suppliers and employees	(1,488,329)	(1,673,953)
Net cash generated from/(used in) operations	78,397	(88,078)
Interest paid	(28,788)	(22,081)
Tax paid	(7,285)	(26,163)
Interest received	809	546
Net cash generated from/(used in) operating activities	43,133	(135,776)
Investing Activities		
Purchase of property, plant and equipment	(12,978)	(31,107)
Purchase of intangible assets	(4,758)	(5,238)
Proceeds from disposal of property, plant and equipment	4,819	6
Increase in investment in deposits maturing more than three (3) months	-	(16)
Net cash used in investing activities	(12,917)	(36,355)
Financing Activities		
Dividends paid to:		
- owners of the Company	(7,829)	(65,498)
- non-controlling interests of a subsidiary	(211)	(99)
Net (repayment)/drawdown of borrowings	(43,087)	226,236
Payment of lease liabilities	(4,957)	(1,502)
Net cash (used in)/generated from financing activities	(56,084)	159,137
Net decrease in cash and cash equivalents	(25,868)	(12,994)
Effects of exchange rate changes	793	506
Cash and cash equivalent at beginning of period	52,849	47,112
Cash and cash equivalent at end of period	27,774	34,624
Analysis of cash and cash equivalents:		
Cash and bank balances	15,069	34,624
Deposits with licensed banks	12,705	5,263
	27,774	39,887
Less: Deposits maturing more than three (3) months	-	(5,263)
	27,774	34,624

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 2023 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 2022. 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 2022.

A2. Significant Accounting Policies

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

- i) On 1 January 2023, the Group applied revaluation model to land and buildings within property, plant and equipment and right-of-use assets from cost model as further explained in note A10 below; and
- ii) 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 2023.

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

On 1 January 2023, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 101 "Presentation of Financial Statements" on 'Classification of liabilities as current or non-current'.
- Amendments to MFRS 112 "Income Taxes" on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS Practice Statement 2.
- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors".

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 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- ii) There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

- 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).

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.

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

A3. Audit report in respect of the 2022 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2022 was unqualified with material uncertainty related to going concern.

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 6 January 2023, the Company paid a third interim dividend of 0.6 sen per share in respect of the financial year ended 31 December 2022 amounting to RM7.9 million.

No interim dividend was proposed or declared in respect of the financial period ended 30 June 2023.

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

Operating segments information for the year is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2023						
Revenue						
External revenue	1,250,932	3,938	474,318	-	-	1,729,188
Inter-segment revenue	-	164,286	-	-	(164,286)	-
Total revenue	1,250,932	168,224	474,318	-	(164,286)	1,729,188
Results						
Earnings before interest, taxation, depreciation and amortisation						
	29,004	21,655	17,660	(4,592)	-	63,727
Depreciation and amortisation	(7,769)	(8,209)	(3,661)	-	-	(19,639)
Finance costs	(35,253)	(10,216)	(9,229)	-	25,336	(29,362)
Interest income	25,559	58	530	-	(25,338)	809
Profit before zakat and taxation	11,541	3,288	5,300	(4,592)	(2)	15,535
Zakat	-	-	-	-	-	-
Taxation	(5,761)	(540)	(4,144)	-	-	(10,445)
Net profit for the financial year	5,780	2,748	1,156	(4,592)	(2)	5,090
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,250,932	168,224	474,318	-	(164,286)	1,729,188
- Over time	-	-	-	-	-	-
	1,250,932	168,224	474,318	-	(164,286)	1,729,188
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						
	42,368	27,225	14,290	(7,202)	-	76,681
Depreciation and amortisation	(4,037)	(9,577)	(3,874)	-	-	(17,488)
Finance costs	(11,224)	(223)	(6,805)	-	473	(17,779)
Interest income	687	304	28	-	(473)	546
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 year	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

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					
	2023			2022		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	1,622,813,421	0.0292	474,318	1,611,900,944	0.0293	471,928
Earnings before interest, taxation, depreciation and amortisation	60,421,247	0.0292	17,660	48,808,429	0.0293	14,290

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**A10. Carrying Amount of Revalued Assets**

Property, plant and equipment and right-of-use assets are initially stated at cost. On 1 January 2023, the Group has changed its accounting policy for land and buildings within property, plant and equipment and right-of-use assets, transitioned from cost model to revaluation model, less subsequent depreciation and impairment losses. The revaluation model provides users of the financial statements with more relevant and reliable information by reflecting the market value of the land and buildings. Valuations are performed by independent valuer with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment and right-of-use assets are stated at historical cost less accumulated depreciation and impairment losses.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

A11. Material Events

On 13 June 2023, the Company proposes to undertake a private placement of up to 131,020,866 new ordinary shares in Pharmaniaga ("Pharmaniaga Share(s)" or "Share(s)") representing 10% of the total issued shares of Pharmaniaga to third-party investor(s) to be identified later at an issue price to be determined later ("Proposed Private Placement I"). The Company Private Placement I has been completed following the listing and quotation of 131,020,866 Placement Shares on the Main Market of Bursa Securities on 24 July 2023.

On 12 July 2023, Ministry of Health of Malaysia ("MOH") has issued a letter dated 12 July 2023 to Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly owned subsidiary of the Company, for a new medical supply logistics services for a period of seven (7) years, commencing from 1 July 2023 to 30 June 2030.

On 21 July 2023, the Company proposes to undertake a proposed private placement of up to 144,122,952 new ordinary shares in Pharmaniaga ("Pharmaniaga Share(s)" or "Share(s)") representing approximately 10% of the total number of issued shares of Pharmaniaga to Lembaga Tabung Angkatan Tentera ("LTAT"), a substantial shareholder of the Company, at an issue price to be determined later ("Proposed Private Placement II").

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 2023.

A13. Contingent Liabilities

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

A14. Commitments

The Group has the following commitments as at 30 June 2023:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	30,512	213,203	243,715

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 2022.

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 2023	143,016	25,183	64,394	20,146	3,071	255,810
Additions	-	327	4,254	-	-	4,581
Transfer from property, plant and equipment	-	-	519	-	-	519
Foreign exchange adjustments	236	161	484	1,998	-	2,879
At 30 June 2023	143,252	25,671	69,651	22,144	3,071	263,789
Accumulated amortisation						
At 1 January 2023	-	6,523	2,988	16,992	975	27,478
Amortisation charged	-	876	1,451	276	-	2,603
Foreign exchange adjustments	-	-	-	1,789	-	1,789
At 30 June 2023	-	7,399	4,439	19,057	975	31,870
Accumulated impairment						
At 1 January 2023/ 30 June 2023	65,675	-	-	-	2,096	67,771
Net carrying value						
At 30 June 2023	77,577	18,272	65,212	3,087	-	164,148
At 31 December 2022	77,341	18,660	61,406	3,154	-	160,561

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

	Current Period			Cumulative Period		
	2023 RM'000	2022 RM'000	+ /(-) %	2023 RM'000	2022 RM'000	+ /(-) %
Revenue	848,734	761,102	11.5%	1,729,188	1,723,276	0.3%
Earnings before interest, taxation, depreciation and amortisation	31,233	22,897	36.4%	63,727	76,681	-16.9%
Profit before interest, zakat and taxation	21,576	13,887	55.4%	44,088	59,193	-25.5%
Profit before zakat and taxation	6,342	4,521	40.3%	15,535	41,960	-63.0%
Profit for the financial period	2,324	914	154.3%	5,090	29,770	-82.9%
Profit attributable to owners of the parent	1,961	722	171.6%	4,608	28,456	-83.8%

Quarter 2 2023 vs Quarter 2 2022

For the second quarter of 2023, the Group recorded a total revenue of RM848.7 million, representing an increase of 11.5% compared to RM761.1 million in the same quarter of the previous year. The Group witnessed higher sales in both the non-concession segment and our operations in Indonesia during the quarter. This positive trend in both segments contributed to the overall revenue growth and demonstrates the effectiveness of our market penetration and expansion efforts.

As a result of our strong revenue performance and efficient cost management, the Group's earnings before interest, taxation, depreciation, and amortization (EBITDA) surged by 36.4% to reach RM31.2 million in the second quarter of 2023. This improvement from RM22.9 million in the corresponding quarter of the previous year underscores our ability to drive profitability even in a competitive business environment. Correspondingly, the Group's profit before zakat and taxation (PBT) for the quarter amounted to RM6.3 million, showcasing a notable increase of 40.3% compared to RM4.5 million reported in the same quarter last year.

Period ended 30 June 2023 vs Period ended 30 June 2022

For the first six months of 2023, the Group registered a 0.3% higher revenue of RM1.73 billion compared to RM1.72 billion in the same period last year. The Group experienced a 6% decline in revenue, amounting to RM844.8 million from our concession business compared to the same period last year. Nevertheless, our non-concession business proved to be a major growth driver, exhibiting an impressive 27% increase compared to the same period last year, resulting in an overall revenue that remained at par with the same period last year.

Hence, the Group posted lower EBITDA and PBT of RM63.7 million and RM15.5 million respectively, decreasing from RM76.7 million and RM42.0 million respectively in the same period last year. This decrease was largely due to higher operating expenditure incurred from increased staff costs as a result of increased headcount, coupled with higher amortisation cost for the right-of-use for three new warehouses. Additionally, the bottom-line was further impacted by higher finance costs due to increased borrowings during the financial period under review.

The **Logistics and Distribution Division** recorded lower earnings before interest, taxation, depreciation and amortisation of RM29.0 million for the six months period ended 30 June 2023 compared to RM42.4 million in the previous year's corresponding period. The decline in EBITDA can be primarily attributed to lower contributions from the concession business provided to the Ministry of Health (MOH). The Division's profit before zakat and taxation (PBT) further declined to RM11.5 million from RM27.8 million in the same period last year. This reduction in profitability was primarily due to higher operating expenses, mainly driven by increased staff costs and finance costs related to higher borrowings during the financial period under review.

The Group continued to uphold the trust accorded by Ministry of Health Malaysia by efficiently managing logistics and distribution services to ensure the timely delivery of critical medical supplies to healthcare facilities.

The **Manufacturing Division** reported a lower PBT of RM3.3 million. However, the long-term outlook for the Group's Manufacturing Division remains positive, primarily as a result of the ongoing expansion of the vaccine manufacturing business coupled with sustained demand.

The **Indonesia Division** registered higher PBT of RM5.3 million for the financial period under review, compared with RM3.6 million in the corresponding period last year as a result of higher revenue. The Group's operational efficiency was further improved through ongoing stock optimisation and aggressive payment collection.

Consolidated Statement of Financial Position

On 1 January 2023, the Company has changed its accounting policy for land and buildings transitioned from cost model to revaluation model. Increases in the carrying amounts arising on revaluation of land and buildings are recognised in property, plant and equipment and rights-of-use-assets, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

The majority of the receivables are from the Government, which collection will be fully paid by end of the year, hence lower receivables as at 31 December 2022 against the second quarter of 2023.

Higher payables as of 30 June 2023 were mainly due to a delay in payment to suppliers, caused by cash flow constraints after triggering the prescribed criteria outlined in Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Group is actively resolving this issue and exploring additional facilities.

Consolidated Statement of Cash Flows

For the period under review, the excess cash generated from our operations was strategically utilized to make payments to financial institutions, with a primary focus on reducing our borrowing.

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 Quarter	Immediate Preceding Quarter	
	2023 RM'000	2023 RM'000	+ / (-) %
Revenue	848,734	880,454	-3.6%
Earnings before interest, taxation, depreciation and amortisation	31,233	32,494	-3.9%
Profit before interest, zakat and taxation	21,576	22,512	-4.2%
Profit before zakat and taxation	6,342	9,193	-31.0%
Profit for the financial period	2,324	2,766	-16.0%
Profit attributable to owners of the parent	1,961	2,648	-25.9%

In comparison with the immediate preceding quarter, the Group registered 3.6% lower revenue of RM848.7 million in the quarter under review, largely due to lower contributions from the concession businesses as a result of the festive season. However, Indonesia businesses manage to recover the gap in current quarter by generating revenue of RM250.2 million compare to RM224.1 million in immediate preceding quarter. The Group's PBT declined 31.0% to RM6.3 million in the quarter under review from RM9.2 million in the immediate preceding quarter.

Correspondingly, the Group's PAT for the quarter decreased 26.0% to RM2.0 million from RM2.6 million in the immediate preceding quarter.

B19. Prospects

Navigating through current financial hurdles, the Group is diligently implementing business recalibration strategies, fostering resilience and adaptability with the aim of successfully exiting the Practice Note 17 (PN17) status. Despite the present challenges, the Group possesses significant potential and strategic positioning for a well-executed turnaround.

As part of its financial turnaround strategy, the Group is preparing a comprehensive Regularisation Plan, required by Bursa Malaysia's main market listing. This plan, to be submitted by Q3 2023, will highlight the Group's efforts to regain financial stability and enhance shareholder value. Completion of this initiative is expected to be finalised by Q1 2024 and concurrently, the Group continues to refine its strategic financial initiatives, aimed at bolstering its financial resilience. This will be pivotal in supporting the growth ambitions, reinforcing the capacity to continue investing in its core competencies and expanding business operations.

Having received the Letter of Award in July 2023, the Group's new concession agreement is anticipated to be signed by Q3 2023. This milestone reaffirms the Group's unwavering commitment to the Ministry of Health and its commitment to providing high-quality healthcare services.

To meet the rising demand within the biopharmaceutical industry, the Group is on track for its world's first halal vaccine and insulin manufacturing plant, which are expected to be completed in 2024 and 2025 respectively. Upon production commercialisation, which is set to hit the market by 2025, the Group is committed to expanding its reach in the ASEAN market. This expansion is backed by strengthening its product portfolio with a focus on biological drugs.

The Group's growth trajectory remains promising, particularly in the Non-Concession segment, Private Sector and Indonesian Operations which have seen considerable growth in these markets, underpinned by aggressive sales efforts and a well-diversified product portfolio. This accomplishment serves as a validation of its growth strategy and strengthening its presence in these dynamic markets.

Moving forward, the Group is taking decisive action by implementing rigorous fiscal discipline initiatives across its operations and investments as part of the Group's comprehensive recovery plan.

Integral to this effort is our measures to clean up the book, strengthen the governance and internal processes to ensure transparency in all business activities. Concurrently, the Group is embarking on a comprehensive review of its position in every segment the Group is in, affirming every challenge is being met head-on and being addressed holistically. This will include restructuring non-performing business units, streamlining business activities, as well as optimisation of asset utilisation and manpower optimisation. These initiatives may lead to adverse one-off financial impact in the upcoming quarters.

It will be challenging and bumpy upcoming quarters for the Group, but this strategic move will uphold the Group's business integrity and foster a more agile, efficient, and sustainable operational model. The ultimate goal is to present a transparent, realistic, and detailed recovery plan for the Group, which will set a clear path for restoring its profitability, maintaining its position in the industry, and ultimately, creating value for shareholders.

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Taxation based on profit for the period/ year:				
- Current	2,576	523	8,593	5,545
- Deferred	95	1,314	(527)	5,416
	2,671	1,837	8,066	10,961
Under/ (Over) provision in prior periods:				
- Current	1,347	1,170	2,379	29
- Deferred	-	-	-	-
	1,347	1,170	2,379	29
	4,018	3,007	10,445	10,990

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 except as disclosed in A11.

B23. Borrowings and Debt Securities

	30 June 2023 RM'000	30 June 2022 RM'000	31 December 2022 RM'000
Non-current:			
Term loan	47,789	23,533	-
Revolving credits	172,332	275,990	189,666
Hire purchase:			
- Denominated in Ringgit Malaysia	1,031	139	815
- Denominated in Indonesian Rupiah	138	232	146
	221,290	299,894	190,627
Current:			
Term loan	-	-	38,820
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	450,156	452,819	508,189
- Denominated in Indonesian Rupiah	218,736	157,926	173,111
Revolving credits	245,167	170,608	247,633
Hire purchase:			
- Denominated in Ringgit Malaysia	479	182	420
- Denominated in Indonesian Rupiah	67	138	99
	914,605	781,673	968,272
The amount of borrowings denominated in Indonesian Rupiah	IDR'000 742,172,881	528,959,044	614,737,589
Exchange rate for Indonesian Rupiah	RM 0.0295	0.0293	0.0282

As at 30 June 2023, the weighted average floating interest rate of borrowings was 4.6% (2022: 3.6%) per annum. For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

The Group did not meet certain financial covenants for some borrowings as at 30 June 2023.

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM198.1 million due to the breach of financial covenants, presented as current liabilities as at 30 June 2023. Details of the breaches of the financial covenants are as follows:

(i) Bankers' acceptances

The Group breached certain financial covenants in the facilities agreements are as follows:

- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times; and
- The value of the assets of any Group member must not be less than its liabilities, taking into account contingent and prospective liabilities.

The outstanding balance of RM87.6 million is presented as current liabilities as at 30 June 2023. On 4 April 2023, the Group was allowed to continue utilising the RM80.4 million facility. However, the utilisation of the facility beyond 30 June 2023 is subject to the:

- Renewal of the concession by MOH;
- The Company not declaring dividends without the prior consent of the bank; and
- Adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA

The remaining borrowings balance without indulgence is RM7.2 million.

(ii) Revolving credits

The Group breached certain financial covenants in the facilities agreements are as follows:

- The consolidated ratio of EBITDA to finance expenses shall not be less than 4 times;
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times;
- The consolidated Debt Service Coverage Ratio ("DSCR"), calculated as ratio of EBITDA to interest expense, must not be less than 1.5; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million

The outstanding balance of RM110.5 million is presented as current liabilities as at 30 June 2023. On 4 April 2023, the Group was allowed to continue utilising the RM50.0 million facility. However, the utilisation of the facility beyond 30 June 2023 is subject to the:

- Renewal of the concession by MOH;
- The Company not declaring dividends without the prior consent of the bank; and
- Adherence to the ratio of EBITDA to finance expenses and Net Debt to EBITDA

The remaining borrowings balance without indulgence is RM60.5 million.

On 12 July 2023, Ministry of Health of Malaysia ("MOH") has issued a letter dated 12 July 2023 to Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly owned subsidiary of the Company, for a new medical supply logistics services for a period of seven (7) years, commencing from 1 July 2023 to 30 June 2030.

The banks had not requested early repayment of the borrowings and the Group and the Company did not default on any repayment obligations as of the date when these interim financial statements were approved by the Board of Directors.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B24. Additional Disclosures**

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

	Current Period		Cumulative Period	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Depreciation and amortisation	9,657	9,010	19,639	17,488
Net impairment of write off/(reversal) of receivables	596	263	881	172
Net provision for stock obsolescence and write off of inventories	3,366	6,112	6,459	8,291
Write off of intangible assets	-	126	-	498
Net foreign exchange (gains)/ losses	(178)	335	(758)	1,135

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 2023.

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	
	2023	2022	2023	2022
Profit attributable to owners of the Company (RM'000)	1,961	722	4,608	28,456
Average number of ordinary shares in issue ('000)	1,310,209	1,309,959	1,310,209	1,309,959
Basic earnings per share (sen)	0.15	0.06	0.35	2.17

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	1,961	722	4,608	28,456
Average number of ordinary shares in issue ('000)	1,310,209	1,309,959	1,310,209	1,309,959
Assumed shares issued under Long Term Incentive Plan ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	1,310,209	1,309,959	1,310,209	1,309,959
Diluted earnings per share (sen)	0.15	0.06	0.35	2.17

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 11 August 2023.

By Order of the Board

Kuala Lumpur
11 August 2023

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