Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 31 December 2023	Current Period		Cumulative Period	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000 Restated**
Revenue	**789,807**	862,720	**3,404,481**	3,480,935
Cost of sales	**(783,389)**	(1,342,301)	**(3,096,660)**	(3,690,523)
Gross profit/ (loss)	**6,418**	(479,581)	**307,821**	(209,588)
Other income	**1,156**	2,730	**2,649**	3,118
Operating expenses	**(13,710)**	(98,987)	**(312,927)**	(314,716)
Impairment of intangible assets	**-**	(50,274)	**-**	(50,274)
Finance costs	**(16,273)**	(12,521)	**(61,843)**	(40,038)
Interest income	**310**	238	**1,477**	910
Loss before zakat and taxation	**(22,099)**	(638,395)	**(62,823)**	(610,588)
Zakat	**-**	1,591	**-**	(209)
Taxation	**(9,980)**	(7,393)	**(13,213)**	(16,857)
Loss for the financial period	**(32,079)**	(644,197)	**(76,036)**	(627,654)
(Loss)/ Profit for the financial period attributable to:				
Owners of the parent	**(32,721)**	(644,390)	**(77,452)**	(629,921)
Non-controlling interests	**642**	193	**1,416**	2,267
Loss for the financial period	**(32,079)**	(644,197)	**(76,036)**	(627,654)
Loss per share - sen				
- Basic	**(2.39)**	(49.19)	**(5.66)**	(48.09)
- Diluted	**(2.39)**	(49.19)	**(5.66)**	(48.09)

* Included in the cost of sales in the previous and cumulative period of year 2022 was the provision for slow moving inventories on Covid-19 vaccines of RM552,306,000.

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 31 December 2023	Current Period		Cumulative Period	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000 Restated
Loss for the financial period	**(32,079)**	(644,197)	**(76,036)**	(627,654)
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gain/ (loss) of foreign operations	**3,440**	(8,824)	**3,559**	(3,951)
Recognition of actuarial (loss)/ gain	**(16)**	-	**103**	(402)
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	**1,784**	-	**103,654**	-
	5,208	(8,824)	**107,316**	(4,353)
Total comprehensive (loss)/ income for the financial period	**(26,871)**	(653,021)	**31,280**	(632,007)
Attributable to:				
Owners of the parent	**(26,950)**	(651,797)	**27,479**	(633,513)
Non-controlling interests	**79**	(1,224)	**3,801**	1,506
Total comprehensive (loss)/ income for the financial period	**(26,871)**	(653,021)	**31,280**	(632,007)

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 31 December 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	**515,319**	404,188	364,617
Intangible assets	**149,558**	160,561	208,013
Rights-of-use assets	**90,429**	38,846	30,973
Deferred tax assets	**39,450**	48,890	52,539
	794,756	652,485	656,142
Current assets			
Inventories	**580,643**	767,263	1,264,369
Receivables	**369,187**	341,999	297,248
Tax recoverable	**30,195**	32,695	18,297
Deposits, cash and bank balances	**127,441**	52,849	52,359
	1,107,466	1,194,806	1,632,273
TOTAL ASSETS	**1,902,222**	1,847,291	2,288,415
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	**200,046**	154,189	154,051
Reserves	**(496,404)**	(523,883)	198,063
Shareholders' equity	**(296,358)**	(369,694)	352,114
Non-controlling interests	**24,976**	21,386	19,979
(Capital deficiency)/ Total equity	**(271,382)**	(348,308)	372,093
Non-current liabilities			
Borrowings	**219,372**	190,627	285,170
Lease liabilities	**341**	4,038	441
Deferred tax liabilities	**32,846**	18,815	21,352
Provision for defined benefit plan	**10,841**	9,051	9,079
Government grants	**3,097**	3,358	3,617
	266,497	225,889	319,659
Current liabilities			
Payables	**865,968**	952,186	987,308
Amount due to immediate holding company	**50,515**	688	1,208
Current tax liabilities	**9,795**	4,273	14,438
Contract liabilities	**8,899**	31,017	22,128
Government grants	**260**	260	332
Borrowings	**967,727**	968,272	570,056
Lease liabilities	**3,943**	5,155	1,193
Dividend payable	**-**	7,859	-
	1,907,107	1,969,710	1,596,663
TOTAL LIABILITIES	**2,173,604**	2,195,599	1,916,322
TOTAL EQUITY AND LIABILITIES	**1,902,222**	1,847,291	2,288,415

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			
For the year ended 31 December 2023	Share Capital	Exchange Reserve	Revaluation Reserve	Share Reserve	(Accumulated losses) / Retained Earnings	Total	Non-controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023 (as previously stated)	154,189	(2,281)	-	3,624	(404,274)	(248,742)	21,386	(227,356)
- Effect of prior year adjustments	-	-	-	-	(120,952)	(120,952)	-	(120,952)
At 1 January 2023 (restated)	154,189	(2,281)	-	3,624	(525,226)	(369,694)	21,386	(348,308)
- Net (loss)/ profit for the financial year	-	-	-	-	(77,452)	(77,452)	1,416	(76,036)
- Other comprehensive income	-	2,430	103,136	-	57	105,623	1,693	107,316
- Transferred of revaluation reserve	-	-	(2,602)	-	1,910	(692)	692	-
Total comprehensive income/ (loss) for the financial year	-	2,430	100,534	-	(75,485)	27,479	3,801	31,280
Transactions with owners								
Issuance of Ordinary Shares pursuant to Private Placement	45,857	-	-	-	-	45,857	-	45,857
Dividends	-	-	-	-	-	-	(211)	(211)
Total transactions with owners for the financial year	45,857	-	-	-	-	45,857	(211)	45,646
At 31 December 2023	200,046	149	100,534	3,624	(600,711)	(296,358)	24,976	(271,382)
At 1 January 2022 (as previously stated)	154,051	1,016	-	1,670	293,725	450,462	19,979	470,441
- Effect of prior year adjustments	-	-	-	-	(98,348)	(98,348)	-	(98,348)
At 1 January 2022 (restated)	154,051	1,016	-	1,670	195,377	352,114	19,979	372,093
- Net (loss)/ profit for the financial year	-	-	-	-	(629,921)	(629,921)	2,267	(627,654)
- Other comprehensive loss	-	(3,297)	-	-	(295)	(3,592)	(761)	(4,353)
Total comprehensive (loss)/ income for the financial year	-	(3,297)	-	-	(630,216)	(633,513)	1,506	(632,007)
Transactions with owners								
Share options granted under								
- Long Term Incentive Plan	-	-	-	138	-	138	-	138
- Share Option Plan	-	-	-	1,954	-	1,954	-	1,954
Issuance of new shares								
- Long Term Incentive Plan	138	-	-	(138)	-	-	-	-
Dividends	-	-	-	-	(90,387)	(90,387)	(99)	(90,486)
Total transactions with owners for the financial year	138	-	-	1,954	(90,387)	(88,295)	(99)	(88,394)
At 31 December 2022	154,189	(2,281)	-	3,624	(525,226)	(369,694)	21,386	(348,308)

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 year ended 31 December 2023

	2023 RM'000	2022 RM'000
Operating Activities		
Cash receipts from customers	**3,558,239**	3,546,258
Cash payments to suppliers and employees	**(3,432,200)**	(3,608,486)
Net cash generated from/(used in) operations	**126,039**	(62,228)
Interest paid	**(60,811)**	(41,287)
Tax paid	**(20,561)**	(39,522)
Zakat paid	**-**	(209)
Interest received	**1,477**	910
Net cash generated from/(used in) operating activities	**46,144**	(142,336)
Investing Activities		
Purchase of property, plant and equipment	**(50,672)**	(59,261)
Purchase of intangible assets	**(10,336)**	(18,376)
Proceeds from disposal of property, plant and equipment	**5,569**	55
Increase in investment in deposits maturing more than three (3) months	**-**	5,247
Net cash used in investing activities	**(55,439)**	(72,335)
Financing Activities		
Dividends paid to:		
- owners of the Company	**(7,859)**	(82,528)
- non-controlling interests of a subsidiary	**(211)**	(99)
Advances from immediate holding company	**50,000**	-
Net drawdown of borrowings	**19,524**	310,447
Proceeds from issuance of share capital	**45,857**	-
Payment of lease liabilities	**(23,731)**	(7,026)
Net cash generated from financing activities	**83,580**	220,794
Net increase in cash and cash equivalents	**74,285**	6,123
Effects of exchange rate changes	**307**	(386)
Cash and cash equivalent at beginning of year	**52,849**	47,112
Cash and cash equivalent at end of year	**127,441**	52,849
Analysis of cash and cash equivalents:		
Cash and bank balances	**49,241**	23,549
Deposits with licensed banks	**78,200**	29,300
	127,441	52,849
Less: Deposits maturing more than three (3) months	**-**	-
	127,441	52,849

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

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the year ended 31 December 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 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 121 “The Effects of Changes in Foreign Exchange Rates” – Lack of Exchangeability (effective 1 January 2025).

iv) 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.

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 except for the issuance of 131,020,866 new ordinary shares representing 10% of the total issued shares of the Company pursuant to the completion of the Private Placement I on 24 July 2023.

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 year ended 31 December 2023.

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	2,358,762	5,598	1,040,121	-	-	3,404,481
Inter-segment revenue	-	290,888	-	-	(290,888)	-
Total revenue	2,358,762	296,486	1,040,121	-	(290,888)	3,404,481
Results						
(Loss)/ Earnings before interest, taxation, depreciation and amortisation	(6,925)	19,091	35,514	(8,439)	-	39,241
Depreciation and amortisation	(15,336)	(16,786)	(9,573)	-	-	(41,695)
Finance costs	(72,246)	(21,642)	(19,189)	-	51,234	(61,843)
Interest income	52,031	141	539	-	(51,234)	1,477
(Loss)/ Profit before zakat and taxation	(42,476)	(19,196)	7,291	(8,439)	-	(62,820)
Zakat	-	-	-	-	-	-
Taxation	(3,571)	(4,466)	(5,176)	-	-	(13,213)
Net (loss)/ profit for the financial year	(46,047)	(23,662)	2,115	(8,439)	-	(76,033)
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	2,358,762	296,486	1,040,121	-	(290,888)	3,404,481
- Over time	-	-	-	-	-	-
	2,358,762	296,486	1,040,121	-	(290,888)	3,404,481
2022 (Restated)						
Revenue						
External revenue	2,484,856	12,838	983,241	-	-	3,480,935
Inter-segment revenue	-	313,450	-	-	(313,450)	-
Total revenue	2,484,856	326,288	983,241	-	(313,450)	3,480,935
Results						
Earnings/ (Loss) before interest, taxation, depreciation and amortisation	20,322	(520,127)	(21,743)	(13,477)	-	(535,025)
Depreciation and amortisation	(11,417)	(16,814)	(8,204)	-	-	(36,435)
Finance costs	(50,517)	(12,553)	(12,842)	-	35,874	(40,038)
Interest income	36,249	490	45	-	(35,874)	910
Loss before zakat and taxation	(5,363)	(549,004)	(42,744)	(13,477)	-	(610,588)
Zakat	(209)	-	-	-	-	(209)
Taxation	(13,939)	(1,577)	(1,341)	-	-	(16,857)
Net loss for the financial year	(19,511)	(550,581)	(44,085)	(13,477)	-	(627,654)
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	2,484,856	326,288	983,241	-	(313,450)	3,480,935
- Over time	-	-	-	-	-	-
	2,484,856	326,288	983,241	-	(313,450)	3,480,935

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

	Year Ended 31 December					
	2023			**2022**		
	IDR'000	**Exchange ratio**	**RM'000**	**IDR'000**	**Exchange ratio**	**RM'000**
Revenue	3,507,185,530	0.0297	1,040,121	3,336,881,730	0.0295	983,241
Earnings/ (Loss) before interest, taxation, depreciation and amortisation	119,749,709	0.0297	35,514	(73,790,474)	0.0295	(21,743)

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 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"). However, Bursa Securities has vide its letter dated 13 September 2023, informed that after taking into consideration the relevant facts and circumstances, Bursa Securities has dismissed the appeal submitted by Pharmaniaga on 1 August 2023 to undertake the Proposed Private Placement II.

On 29 November 2023, MIDF Amanah Investment Bank Berhad ("MIDF") has on behalf of the Board of Directors of the Company ("Board") announced that the Company is proposing to undertake the Proposed Regularisation Plan to regularise its financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements ("MMLR"). On 23 February 2024, the Group has submitted the Proposed Regularisation Plan to Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Proposed Regularisation Plan is subject to the approval by Bursa Malaysia, shareholders, High Court of Malaya and any other relevant authorities and/or parties.

On 3 January 2024, the Group via its wholly-owned subsidiary, Pharmaniaga Logistics Sdn Bhd ("PLSB"), has entered into a Concession Agreement ("CA") with the Government of Malaysia (represented by the Ministry of Health of Malaysia) ("MOH"). The CA to take effect retrospectively from 1 July 2023 and shall remain in force for a period of seven (7) years until 30 June 2030. The duly executed CA will give the rights and authorities to PLSB, among others, to undertake the procurement, storage, supply and delivery of medical products to offices and facilities within Malaysia which is operated and controlled by MOH ("Public Sector Customers") in accordance with the terms and conditions agreed between the parties.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial year ended 31 December 2023 other than the followings:

a) On 9 May 2023, the Group via its subsidiary, PT Millennium Pharmacon International Tbk ("PT MPI"), established a new subsidiary, PT Digital Pharma Andalan Indonesia ("PT DPA"), with a total issued and paid-up capital of IDR247,500. PT MPI holds a 99.0% effective equity interest in PT DPA.

b) On 15 Aug 2023, the Group via its subsidiary, Pharmaniaga International Corporation Sdn. Bhd. ("PNIC") has received acknowledgment from Kementerian Hukum Dan Hak Asasi Manusia Republik Indonesia on liquidation of its subsidiary, PT Mega Pharmaniaga ("PT Megpha").

A13. Contingent Liabilities

Save as disclosed below, there is no other contingent liability that has arisen since the financial year end.

On 13 September 2023, the Ministry of Health of Malaysia ("MOH") issued a demand letter to Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly-owned subsidiary of the Company, seeking reimbursement of RM15.34 million for alleged shortcomings in procuring of faulty ventilators during the 2020 Covid-19 peak. In response on 22 September 2023, PLSB presented feedback to the Parliament's Public Accounts Committee (PAC), asserting fulfilment of its obligations as an agent and contending that it should not be held liable for the defective ventilators as it was not the supplier mentioned in the contract.

A14. Commitments

The Group has the following commitments as at 31 December 2023:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	17,287	96,691	113,978

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	-	799	8,316	-	-	9,115
Reclassification to prepayment	-	-	(708)	-	-	(708)
Transfer from property, plant and equipment	-	-	1,221	-	-	1,221
Written off	-	(6,216)	(12,811)	-	-	(19,027)
Foreign exchange adjustments	127	382	267	1,100	-	1,876
At 31 December 2023	143,143	20,148	60,679	21,246	3,071	248,287
Accumulated amortisation						
At 1 January 2023	-	6,523	2,988	16,992	975	27,478
Amortisation charged	-	1,913	2,964	1,745	-	6,622
Written off	-	(4,375)	-	-	-	(4,375)
Foreign exchange adjustments	-	246	-	987	-	1,233
At 31 December 2023	-	4,307	5,952	19,724	975	30,958
Accumulated impairment						
At 1 January 2023/ 31 December 2023	65,675	-	-	-	2,096	67,771
Net carrying value						
At 31 December 2023	77,468	15,841	54,727	1,522	-	149,558
At 31 December 2022	77,341	18,660	61,406	3,154	-	160,561

B17. Performance Review

	Current Period			Cumulative Period		
	2023 RM'000	2022 RM'000	+/(-) %	2023 RM'000	2022 RM'000 Restated	+/(-) %
Revenue	789,807	862,720	-8.5%	3,404,481	3,480,935	-2.2%
Earnings/ (Loss) before interest, taxation, depreciation and amortisation	6,198	(616,734)	>100%	39,241	(535,025)	>100%
Loss before interest, zakat and taxation	(6,136)	(626,112)	>100%	(2,457)	(571,460)	>100%
Loss before zakat and taxation	(22,099)	(638,395)	96.5%	(62,823)	(610,588)	89.7%
Loss for the financial period	(32,079)	(644,197)	95.0%	(76,036)	(627,654)	87.9%
Loss attributable to owners of the parent	(32,721)	(644,390)	94.9%	(77,452)	(629,921)	87.7%

<u>Quarter 4 2023 vs Quarter 4 2022</u>

In the fourth quarter of financial year ended 2023 (FYE2023), the Group reported a total revenue of RM789.8 million, reflecting a 8.5% decrease from RM862.7 million in the corresponding quarter of the previous financial year. This was driven by a 19.6% decrease in sales within the concession business as there was a special budget allocation at the end of 2022 for the purchase of Covid-19 related items by Government hospitals. Nevertheless, the impact was moderated by the improved performance recorded by the Indonesia segment.

The Group recorded an earnings before interest, taxation, depreciation, and amortisation (EBITDA) amounting to RM6.2 million. This is an improvement as compared with a loss before interest, taxation, depreciation, and amortisation (LBITDA) of RM616.7 million in the corresponding quarter of the previous financial year as there was a one-off provision for slow moving inventories of Covid-19 vaccines of RM552.3million and a write-down of goodwill for the Indonesia manufacturing cash-generating unit of RM50.3 million in 2022.

The Group closed the quarter with a loss before zakat and taxation (LBT) of RM22.1 million, representing a significant decrease from the LBT of RM638.4 million reported in the same period last year.

<u>Year ended 31 December 2023 vs Year ended 31 December 2022</u>

For FYE2023, the Group reported a decrease in revenue amounting to RM3.4 billion, compared with RM3.5 billion in financial year ended 2022 (FYE2022), representing a 2.2% decrease. The decrease is mainly due to the reduction in revenue from our concession business as a result of lower budget allocation as explained in the earlier section. The decrease was offset by the positive contribution from the Private Market and Indonesia segments countering the decline in the concession business.

The Group recorded EBITDA of RM39.2 million, a notable increase from last year's LBITDA of RM535.0 million due to a one-off provision for slow moving inventories on Covid-19 vaccines of RM552.3 million and a write-down of goodwill for the Indonesia manufacturing cash-generating unit of RM50.3 million in FYE2022. While, in FYE2023, there was a one-off provision for stock obsolescence (RM64.8 million) from the slow demand for pandemic-related consumables inventory such as personal protective equipment and needles and a write-off of new product development costs (RM12.8 million) due to the non-commercial viability of the products. Additionally, the cessation of non-core and non-performing businesses also resulted in a write-down of machinery equipment (RM12.9 million).

Consequently, the Group closed the year with a LBT of RM62.8 million, compared with RM610.6 million in the previous year.

B17. Performance Review (cont'd)

The **Logistics and Distribution Division** reported a LBITDA of RM6.9 million for FYE2023, a reduction from EBITDA of RM20.3 million in the previous year. The LBITDA was primarily attributed to a one-off provision for stock obsolescence (RM60.8 million) from the slow demand for pandemic-related consumables inventory such as personal protective equipment and needles.

Despite challenges, the Group upheld its commitment to the Ministry of Health ensuring efficient and timely delivery of critical medical supplies nationwide.

The **Manufacturing Division** reported an EBITDA of RM19.1 million in FYE2023 showing an improvement from LBITDA of RM520.1 million as compared with FYE2022 as there was a one-off provision for slow moving inventories on Covid-19 vaccines of RM552.3 million in FYE2022. While, in FYE2023, there was a one-off provision for stock obsolescence (RM4.0 million), a write-off of new product development costs (RM12.8 million) due to the non-commercial viability of the products, and a write-down of plant and equipment resulting from the cessation of non-core and non-performing businesses (RM12.9 million).

Nonetheless, long-term prospects for the Group's Manufacturing Division remain optimistic, driven by continuous expansion of the vaccine manufacturing business alongside sustained demand in the market.

The **Indonesia Division** reported an increased EBITDA of RM35.5 million in FYE2023, up from LBITDA of RM21.7 million in the previous year as there was a write down of goodwill of RM50.3 million in FYE2022. Excluding the write down of goodwill in the previous financial year, the Indonesia Division recorded an improvement of the EBITDA which was attributed to higher revenue resulted from the Indonesian Government's initiative to promote local content medical devices, coupled with enhanced operational efficiency through stock optimised management and assertive collection of payments.

Consolidated Statement of Financial Position

Effective 1 January 2023, the Company transitioned its accounting policy for land and buildings from the cost model to revaluation model. The carrying amounts that increased as a result of the revaluation of land and buildings are recognised in property, plant and equipment and rights-of-use-assets. These adjustments, net of tax, are reflected in other comprehensive income and accumulated in reserves within shareholders' equity.

The increase in receivables as of 31 December 2023, as compared with the previous financial year, is primarily attributed to our subsidiary in Indonesia, PT MPI, due to higher sales in the last quarter of the year.

The lower inventories and payables balances as of 31 December 2023 as compared with the previous financial year is primarily due to the transition to the new concession where the appointment of the suppliers via tender process is still on-going.

Consolidated Statement of Cash Flows

For the FYE2023, the surplus cash generated from our operations, combined with the funds acquired via private placements and the advances from the immediate holding company were strategically utilised to reduce our outstanding borrowings with financial institutions and to facilitate payment to the suppliers.

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

	Current Quarter	Immediate Preceding Quarter	
	2023	**2023**	**+/(-)**
	RM'000	**RM'000**	**%**
Revenue	789,807	885,486	-10.8%
Earnings/ (Loss) before interest, taxation, depreciation and amortisation	6,198	(30,684)	>100%
Loss before interest, zakat and taxation	(6,136)	(40,409)	>100%
Loss before zakat and taxation	(22,099)	(56,259)	60.7%
Loss for the financial period	(32,079)	(49,047)	34.6%
Loss attributable to owners of the parent	(32,721)	(49,339)	33.7%

Compared to the immediate preceding quarter, the Group experienced a 10.8% decrease in revenue during the period under review. The decrease was mainly due to the drop in the revenue from concession and non-concession segments as a result of the early closing of orders by the Government. However, this was partially offset by the strong demand from our customers in Indonesia segment. The Group recorded a lower LBT of RM22.1 million, a significant improvement from the LBT of RM56.3 million in the preceding quarter as there was a one-off provision for stock obsolescence (RM65.2 million) from the slow demand pandemic-related consumables inventory such as personal protective equipment and needles, a write-off of new product development costs (RM7.6 million) due to the non-commercial viability of the products, and a write-down of plant and equipment (RM3.1 million) in the preceding quarter.

B19. Prospects

The year is poised for a promising outset, following a comprehensive restructuring of business operations and the implementation of numerous initiatives aimed at revitalizing the Group in 2023. Anchored by a coherent strategic blueprint, articulated through five principal pillars: fortifying our engagement in the public sector, enhancing our biopharmaceutical endeavours, streamlining costs, expanding into private markets, and transforming our operations in Indonesia. These efforts are intended to promote long-term growth and spark opportunities for value creation.

In a significant step towards financial revitalisation, the Group has submitted its Regularisation Plan to Bursa Malaysia on 23 February 2024. This move marks a critical milestone by the Group to recover and enhance its financial standing, aiming to exit its Practice Note 17 (PN17) status by rights issue, offering existing shareholders the opportunity to increase their participation in future upside of the Group, alongside a private placement aimed at drawing potential strategic investors to contribute to the Group’s value enhancement and growth in the healthcare sector.

A significant milestone was achieved on 3 January 2024, with the signing of the Logistics and Distribution Concession Agreement with the Ministry of Health of Malaysia (MOH) for a period of 7 years, retrospectively took effect on 1 July 2023. This agreement is pivotal to our operational framework, providing a stable foundation for our business activities and enabling us to plan with greater certainty and efficiency.

Further testament to our strategic initiatives and the confidence in our capabilities, we are in the midst of finalising the acquisition Vaccine Development Grant from the Ministry of Science, Technology, and Innovation (MOSTI). This grant not only underscores the Government's support for our endeavours but will also position the Group at the forefront of healthcare innovation, particularly in the critical area of vaccine development.

The Asian Development Bank (ADB) predicts that Indonesia's economic growth will remain at a level of 5 percent in 2024, when other neighbouring countries have revised their growth projections downwards. The encouraging market situation in Indonesia bodes well with the Group's expansion strategy as its publicly listed logistics subsidiary, PT Millennium Pharmacon International Tbk (MPI) has opened two new branches. This move will not only reinforce Pharmaniaga's market presence but also secures a sustainable path for business growth in the region.

Despite experiencing positive growth within our existing business operations, Pharmaniaga continues to navigate through several challenges that impact our financial and operational performance. Factors such as global fluctuations in the United States Dollar (USD), increased finance costs due to the rising Overnight Policy Rate (OPR), elevated electricity tariffs, and higher labour costs following amendments in the Employment Act collectively exert pressure on our margins and overall profitability.

In addressing these challenges, the Group remains dedicated to the initiatives on improving profit margin and cost optimisation to ensure resilience and sustainability. Through strategic planning, operational excellence, and continuous innovation, we are committed to overcome any obstabcles and position Pharmaniaga for long-term success and growth.

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	2022	**2023**	2022
	RM’000	RM’000	**RM’000**	RM’000
				Restated
Taxation based on profit for the period/ year:				
- Current	**6,726**	(1,296)	**18,600**	6,710
- Deferred	**2,708**	(1,006)	**(10,381)**	960
	9,434	(2,302)	**8,219**	7,670
Under provision in prior periods:				
- Current	**512**	9,695	**2,891**	9,187
- Deferred	**34**	-	**2,103**	-
	546	9,695	**4,994**	9,187
	9,980	7,393	**13,213**	16,857

The Group's effective tax rate is higher than the statutory tax rate of 24% principally due to the derecognition of deferred tax assets due to the cessation of non-clore business, write off of product development cost and write down of plant and equipment.

B22. Corporate Proposal

Save as disclosed below, the Company has not undertaken any equity fund-raising exercises in the past 12 months.

On 13 June 2023, on behalf of the Board, MIDF Investment had announced that the Company proposed to undertake a private placement of up to 131,020,866 new Pharmaniaga Shares to third-party investor(s) to be identified at an issue price to be determined later ("Private Placement"). On 21 July 2023, the Company announced that the entire 131,020,866 Shares have been issued and subscribed at the issue price of RM0.35 per Share, raising approximately RM45.9 million. On 24 July 2023, the Private Placement has been completed following the listing and quotation of 131,020,866 Shares on the Main Market of Bursa Securities.

As at 31 December 2023, the proceeds of RM45.9 million raised pursuant to the Private Placement have been utilised for the following purposes:

Utilisation of Proceeds	**Expected timeframe for utilisation from the completion of the Private Placement**	**Proposed utilisation RM'000**	**Actual utilisation RM'000**	**Balance to be utilised RM'000**
Working capital for payment to suppliers/ trade creditors of the Group	Within 12 months	45,521	45,521	-
Estimated expenses in relation to the Private Placement	Within 1 month	336	336	-
Total		**45,857**	**45,857**	**-**

B23. Borrowings and Debt Securities

		31 December 2023 RM'000	31 December 2022 RM'000
Non-current:			
Term loan:			
- Denominated in Ringgit Malaysia		**50,512**	-
- Denominated in Indonesian Rupiah		**13,112**	-
Revolving credits		**154,998**	189,666
Hire purchase:			
- Denominated in Ringgit Malaysia		**641**	815
- Denominated in Indonesian Rupiah		**109**	146
		219,372	190,627
Current:			
Term loan:			
- Denominated in Ringgit Malaysia		**16,500**	38,820
Bankers' acceptances:			
- Denominated in Ringgit Malaysia		**480,804**	508,189
- Denominated in Indonesian Rupiah		**213,300**	173,111
Revolving credits		**239,367**	247,633
Bridging loan		**17,079**	-
Hire purchase:			
- Denominated in Ringgit Malaysia		**632**	420
- Denominated in Indonesian Rupiah		**45**	99
		967,727	968,272
The amount of borrowings denominated in Indonesian Rupiah	**IDR'000**	**760,288,591**	614,737,589
Exchange rate for Indonesian Rupiah	**RM**	**0.0298**	0.0282

As at 31 December 2023, the weighted average floating interest rate of borrowings was 5.7% (2022: 4.8%) 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 31 December 2023.

B23. Borrowings and Debt Securities (cont'd)

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM260.2 million due to the breach of financial covenants, presented as current liabilities as at 31 December 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 RM88.5 million is presented as current liabilities as at 31 December 2023. On 16 February 2024, the Group received indulgence from the bank and was allowed to continue utilising the RM88.5 million facility.

(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 RM104.7 million is presented as current liabilities as at 31 December 2023. On 16 February 2024, the Group received indulgence from the bank and was allowed to continue utilising the RM50.0 million facility.

The remaining borrowings balance without indulgence is RM54.7 million.

(iii) Term loans

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

- The consolidated net worth of the Group must not be less than RM336.0 million; and
- The consolidated Finance Service Cover Ratio, calculated as ratio of cumulative available cash flows to interest expense and current portion of long-term borrowings, must not be less than 1.25

On 21 December 2023, the Group has obtained indulgence from compliance of financial covenants above. The amount was not reclassified to current.

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.

B24. Additional Disclosures

The Group's loss 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	**12,331**	9,378	**41,695**	36,435
Net impairment of write off of receivables	**1,836**	221	**3,580**	855
Net provision for stock obsolescence and write off of inventories	**445**	561,353	**76,905**	571,929
Impairment of goodwill	**-**	50,274	**-**	50,274
Write off of intangible assets	**3,416**	6,020	**14,652**	6,518
Net foreign exchange (gains)/ losses	**(1,173)**	1,947	**(1,127)**	3,409

The significant amounts in the provision for stock obselence and write off of intangibles assets are mainly attributed to a one-off provision for stock obsolescence (RM64.8 million) from the slow moving pandemic-related consumables inventory such as personal protective equipment and needles and write-off of new product development costs (RM12.8 million) due to the non-commercial viability of the products respectively.

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 gain or loss on derivatives, gain or loss on disposal of subsidiaries and exceptional items included in the results for the period ended 31 December 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. Loss Per Share ("LPS")

(a) Basic loss per share

	Current Period		Cumulative Period	
	2023	2022	**2023**	2022 Restated
Loss attributable to owners of the Company (RM'000)	**(32,721)**	(644,390)	**(77,452)**	(629,921)
Average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971	**1,367,642**	1,309,971
Basic loss per share (sen)	**(2.39)**	(49.19)	**(5.66)**	(48.09)

(b) Diluted loss per share

	Current Period		Cumulative Period	
	2023	2022	**2023**	2022 Restated
Loss attributable to owners of the Company (RM'000)	**(32,721)**	(644,390)	**(77,452)**	(629,921)
Average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971	**1,367,642**	1,309,971
Assumed shares issued under Long Term Incentive Plan ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	**1,367,642**	1,309,971	**1,367,642**	1,309,971
Diluted loss per share (sen)	**(2.39)**	(49.19)	**(5.66)**	(48.09)

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 loss per share.

B27. Prior year adjustments

The prior year adjustment pertains to the under-provision of penalties from the Ministry of Health ("MOH") in relation to the supply of drugs and non-drugs to MOH health facilities. This provision for potential penalties by the MOH mainly occurred during the height of the COVID-19 pandemic, that has caused unprecedented disruptions in supply chain and unexpected surge in demand. These have severely impacted on the delivery of products from the Group's vendors which fell short and subsequently affecting the Group's ability to distribute the supplies to the MOH's health facilities. The situation was further exacerbated by the imposition of strict movement control orders, reduced workforce resulting from quarantine and other health protocols, shortage of shipping containers, as well as warehouses functioning below their usual operational capacity.

For 31 December 2022	**As previously reported RM'000**	**Effect of the prior year adjustments RM'000**	**Restated RM'000**
Statement of Profit or Loss			
Revenue	3,510,677	(29,742)	3,480,935
Taxation	(23,995)	7,138	(16,857)
Loss before zakat and taxation	(580,846)	(29,742)	(610,588)
Loss for the financial period	(605,050)	(22,604)	(627,654)
For 1 January 2022			
Statements of Financial Position			
Reserves	(296,411)	98,348	(198,063)
Deferred tax assets	33,066	19,473	52,539
Tax recoverable	6,713	11,584	18,297
Receivables	297,753	(505)	297,248
Payables	(858,408)	(128,900)	(987,308)
For 31 December 2022			
Statements of Financial Position			
Reserves	402,931	120,952	523,883
Deferred tax assets	27,047	21,843	48,890
Tax recoverable	16,343	16,352	32,695
Receivables	351,664	(9,665)	341,999
Payables	(802,704)	(149,482)	(952,186)

B28. 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 29 February 2024.

By Order of the Board

WAN INTAN IDURA WAN ISMAIL (LS 0010668)
SYARUZAIMI BIN YUSOF (LS 0010665)
Company Secretaries

Kuala Lumpur
29 February 2024