

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 31 March 2024	Current Period		Cumulative Period	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	964,959	880,454	964,959	880,454
Cost of sales	(841,650)	(786,288)	(841,650)	(786,288)
Gross profit	123,309	94,166	123,309	94,166
Other income	511	605	511	605
Operating expenses	(67,843)	(72,259)	(67,843)	(72,259)
Finance costs	(17,383)	(13,982)	(17,383)	(13,982)
Interest income	450	663	450	663
Profit before zakat and taxation	39,044	9,193	39,044	9,193
Zakat	-	-	-	-
Taxation	(12,865)	(6,427)	(12,865)	(6,427)
Profit for the financial period	26,179	2,766	26,179	2,766
Profit for the financial period attributable to:				
Owners of the parent	25,646	2,648	25,646	2,648
Non-controlling interests	533	118	533	118
Profit for the financial period	26,179	2,766	26,179	2,766
Earnings per share - sen				
- Basic	1.78	0.20	1.78	0.20
- Diluted	1.78	0.20	1.78	0.20

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 March 2024	Current Period		Cumulative Period	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	26,179	2,766	26,179	2,766
<u>Other comprehensive income, net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation gains for foreign operations	1,571	3,411	1,571	3,411
Recognition of actuarial gains	-	119	-	119
Items that will not be reclassified to profit or loss				
Gain on revaluation of land and buildings	176	101,870	176	101,870
	1,747	105,400	1,747	105,400
Total comprehensive income for the financial period	27,926	108,166	27,926	108,166
Attributable to:				
Owners of the parent	26,957	105,974	26,957	105,974
Non-controlling interests	969	2,192	969	2,192
Total comprehensive income for the financial period	27,926	108,166	27,926	108,166

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 31 March 2024	As at 31 December 2023
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	516,118	515,319
Intangible assets	149,259	149,558
Rights-of-use assets	87,923	90,429
Deferred tax assets	49,730	52,082
	<u>803,030</u>	<u>807,388</u>
Current assets		
Inventories	550,944	580,643
Receivables	592,070	369,187
Tax recoverable	31,497	30,195
Deposits, cash and bank balances	86,602	127,441
	<u>1,261,113</u>	<u>1,107,466</u>
TOTAL ASSETS	<u>2,064,143</u>	<u>1,914,854</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	200,046	200,046
Reserves	(472,155)	(499,112)
Shareholders' equity	<u>(272,109)</u>	<u>(299,066)</u>
Non-controlling interests	25,945	24,976
Capital deficiency	<u>(246,164)</u>	<u>(274,090)</u>
Non-current liabilities		
Borrowings	125,271	139,372
Lease liabilities	173	341
Deferred tax liabilities	32,792	32,846
Provision for defined benefit plan	11,315	10,841
Government grants	3,032	3,097
	<u>172,583</u>	<u>186,497</u>
Current liabilities		
Payables	980,183	881,308
Amount due to immediate holding company	51,100	50,515
Current tax liabilities	10,880	9,795
Contract liabilities	6,231	8,899
Government grants	260	260
Borrowings	1,086,275	1,047,727
Lease liabilities	2,795	3,943
	<u>2,137,724</u>	<u>2,002,447</u>
Total liabilities	<u>2,310,307</u>	<u>2,188,944</u>
TOTAL EQUITY AND LIABILITIES	<u>2,064,143</u>	<u>1,914,854</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 31 March 2024	Attributable to shareholders of the Company						Non-controlling Interests	Total Equity
	Share Capital	Exchange Reserve	Revaluation Reserve	Share Reserves	Accumulated Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	200,046	149	100,534	3,624	(603,419)	(299,066)	24,976	(274,090)
- Net profit for the financial period	-	-	-	-	25,646	25,646	533	26,179
- Other comprehensive income	-	1,135	176	-	-	1,311	436	1,747
Total comprehensive income for the financial period	-	1,135	176	-	25,646	26,957	969	27,926
At 31 March 2024	200,046	1,284	100,710	3,624	(577,773)	(272,109)	25,945	(246,164)
At 1 January 2023 (as previously stated)	154,189	(2,281)	-	3,624	(404,274)	(248,742)	21,386	(227,356)
Restatement of comparatives	-	-	-	-	(120,952)	(120,952)	-	(120,952)
At 1 January 2023 (as restated)	154,189	(2,281)	-	3,624	(525,226)	(369,694)	21,386	(348,308)
- Net profit for the financial period	-	-	-	-	2,648	2,648	118	2,766
- Other comprehensive income	-	2,516	100,722	-	88	103,326	2,074	105,400
Total comprehensive income for the financial period	-	2,516	100,722	-	2,736	105,974	2,192	108,166
At 31 March 2023	154,189	235	100,722	3,624	(522,490)	(263,720)	23,578	(240,142)

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 31 March 2024

	2024	2023
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	812,499	692,590
Cash payments to suppliers and employees	(846,767)	(740,088)
Net cash used in operations	(34,268)	(47,498)
Interest paid	(16,779)	(13,733)
Tax paid	(4,796)	(5,071)
Interest received	450	663
Net cash used in operating activities	(55,393)	(65,639)
Investing Activities		
Purchase of property, plant and equipment	(7,272)	(2,867)
Purchase of intangible assets	(1,298)	(2,076)
Proceeds from disposal of property, plant and equipment	-	284
Increase in investment in deposits maturing more than three (3) months	(6,536)	-
Net cash used in investing activities	(15,106)	(4,659)
Financing Activities		
Dividends paid to:		
- owners of the Company	-	(7,859)
Net drawdown of borrowings	24,841	84,138
Payment of lease liabilities	(1,488)	(2,423)
Net cash generated from financing activities	23,353	73,856
Net (decrease)/ increase in cash and cash equivalents	(47,146)	3,558
Effects of exchange rate changes	(229)	214
Cash and cash equivalent at beginning of period	127,441	52,849
Cash and cash equivalent at end of period	80,066	56,621
Analysis of cash and cash equivalents:		
Cash and bank balances	45,666	34,316
Deposits with licensed banks	40,936	22,305
	86,602	56,621
Less: Deposits maturing more than three (3) months	(6,536)	-
	80,066	56,621

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 31 March 2024 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 2023. 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 2023.

A2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2023, 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 2024.

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

On 1 January 2024, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' 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.
- Amendments to MFRS 101 "Presentation of Financial Statements" on '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).
- Amendments to MFRS 101 "Presentation of Financial Statements" on '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.
- Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements'.

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 121 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability (effective 1 January 2025).
- ii) 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 2023 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2023 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

No interim dividend was proposed or declared in respect of the financial period ended 31 March 2024 (2023: Nil).

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	----- Malaysia -----		--- Indonesia ---		Unallocated corporate expenses	Eliminations	Total
	Logistics and distribution	Manufacturing	Manufacturing & distribution				
2024							
Revenue							
External revenue	668,397	1,039	295,523	-	-	-	964,959
Inter-segment revenue	-	61,770	-	-	(61,770)	-	-
Total revenue	668,397	62,809	295,523	-	(61,770)	-	964,959
Results							
Earnings before interest, taxation, depreciation and amortisation							
Depreciation and amortisation	38,449	18,401	9,645	-	-	-	66,495
Finance costs	(3,753)	(4,533)	(2,232)	-	-	-	(10,518)
Interest income	(18,408)	(5,102)	(5,170)	-	11,297	-	(17,383)
	11,698	45	4	-	(11,297)	-	450
Profit before zakat and taxation	27,986	8,811	2,247	-	-	-	39,044
Zakat	-	-	-	-	-	-	-
Taxation	(9,115)	(2,572)	(1,178)	-	-	-	(12,865)
Net profit for the financial period	18,871	6,239	1,069	-	-	-	26,179
Timing of revenue recognition							
Goods or services transferred:							
- At a point in time	668,397	62,809	295,523	-	(61,770)	-	964,959
- Over time	-	-	-	-	-	-	-
	668,397	62,809	295,523	-	(61,770)	-	964,959
2023							
Revenue							
External revenue	655,180	1,165	224,109	-	-	-	880,454
Inter-segment revenue	-	89,982	-	-	(89,982)	-	-
Total revenue	655,180	91,147	224,109	-	(89,982)	-	880,454
Results							
Earnings before interest, taxation, depreciation and amortisation							
Depreciation and amortisation	17,013	10,401	7,734	(2,654)	-	-	32,494
Finance costs	(3,964)	(4,135)	(1,883)	-	-	-	(9,982)
Interest income	(16,820)	(5,164)	(4,468)	-	12,470	-	(13,982)
	12,587	35	511	-	(12,470)	-	663
Profit before zakat and taxation	8,816	1,137	1,894	(2,654)	-	-	9,193
Zakat	-	-	-	-	-	-	-
Taxation	(3,650)	(904)	(1,873)	-	-	-	(6,427)
Net profit for the financial period	5,166	233	21	(2,654)	-	-	2,766
Timing of revenue recognition							
Goods or services transferred:							
- At a point in time	655,180	91,147	224,109	-	(89,982)	-	880,454
- Over time	-	-	-	-	-	-	-
	655,180	91,147	224,109	-	(89,982)	-	880,454

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 31 March					
	2024			2023		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	984,045,346	0.0300	295,523	779,315,960	0.0288	224,109
Earnings before interest, taxation, depreciation and amortisation	32,116,341	0.0300	9,645	26,894,188	0.0288	7,734

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

Land and buildings within the property, plant and equipment and leasehold land within right-of-use assets are measured initially at cost, including transaction costs and borrowing costs if the land and buildings meet the definition of qualifying assets. After initial recognition, land and buildings are carried at revaluation, less subsequent depreciation (except freehold land) and impairment losses. All other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses except for capital work-in-progress which are not depreciated.

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. Subsequent Events

There was no subsequent event as at 27 May 2024 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 31 March 2024.

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 31 March 2024:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	6,245	94,424	100,669

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 2023.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost and work-in- progress	Manufacturing licences and trade name	Intellectual property	Total
Cost						
At 1 January 2024	143,143	20,148	60,679	21,246	3,071	248,287
Additions	-	-	1,296	-	-	1,296
Written off	-	-	(305)	-	-	(305)
Foreign exchange adjustments	-	-	-	-	-	-
At 31 March 2024	143,143	20,148	61,670	21,246	3,071	249,278
Accumulated amortisation						
At 1 January 2024	-	4,307	5,952	19,724	975	30,958
Amortisation charged	-	468	755	67	-	1,290
Foreign exchange adjustments	-	-	-	-	-	-
At 31 March 2024	-	4,775	6,707	19,791	975	32,248
Accumulated impairment						
At 1 January 2024/ 31 March 2024	65,675	-	-	-	2,096	67,771
Net carrying value						
At 31 March 2024	77,468	15,373	54,963	1,455	-	149,259
At 31 December 2023	77,468	15,841	54,727	1,522	-	149,558

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

	Current Period			Cumulative Period		
	2024 RM'000	2023 RM'000	+ /(-) %	2024 RM'000	2023 RM'000	+ /(-) %
Revenue	964,959	880,454	9.6%	964,959	880,454	9.6%
Earnings before interest, taxation, depreciation and amortisation	66,495	32,494	> 100.0%	66,495	32,494	> 100.0%
Profit before interest, zakat and taxation	55,977	22,512	> 100.0%	55,977	22,512	> 100.0%
Profit before zakat and taxation	39,044	9,193	> 100.0%	39,044	9,193	> 100.0%
Profit for the financial period	26,179	2,766	> 100.0%	26,179	2,766	> 100.0%
Profit attributable to owners of the parent	25,646	2,648	> 100.0%	25,646	2,648	> 100.0%

Quarter 1 2024 vs Quarter 1 2023

For the first quarter ended 31 March 2024, the Group recorded RM965.0 million in revenue, representing a 9.6% increase from the corresponding quarter of the previous year. This growth was primarily driven by heightened customer demand in both the concession and Indonesia segments.

The increase in revenue for the concession segment was mainly attributed to a higher volume of orders by government hospitals, the addition of new products to the Approved Product Price List and price adjustments under the new concession cycle due to increased supplier costs. In the Indonesia segment, the revenue growth was due to the surge in demand for products of existing principals and additional sales generated from the opening of two new branches in February 2024.

Furthermore, as a result of cost optimisation measures, the Group registered a 6.1% decrease in operating expenses compared to the same period last year. These measures included the cessation of non-core and non-performing businesses as well as lower advertising and promotional expenses.

In line with the increase in revenue, the Group recorded higher earnings before interest, taxation, depreciation, and amortisation (EBITDA) of RM66.5 million, marking a more than 100% increase from RM32.5 million in the same quarter last year. Consequently, the Group's profit before zakat and taxation (PBT) stood at RM39.0 million, compared with RM9.2 million in the corresponding quarter of the previous year.

The **Logistics and Distribution Division** recorded a higher PBT of RM28.0 million for the period under review, compared with RM8.8 million in the corresponding quarter of the previous year. This increase was mainly attributable to higher concession sales. The growth in revenue for the concession segment was primarily due to an increase in the volume of orders from government hospitals, the addition of new products to the Approved Product Price List and price revisions under the new concession cycle resulting from increased supplier costs. Additionally, cost optimisation measures including the cessation of non-core and non-performing businesses as well as lower advertising and promotional expenses, contributed to the improved profitability of the Division.

The Group maintained its commitment to the 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 PBT of RM8.8 million, a significant improvement compared with RM1.1 million in the same period last year. 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 a PBT of RM2.2 million for the financial period under review, an improvement compared with RM1.9 million in the corresponding period last year. This was driven by higher revenue from products of existing principals and additional sales generated from the opening of two new branches in February 2024. The Group's operational efficiency was further improved through ongoing stock optimisation and aggressive payment collection.

Consolidated Statement of Financial Position

The majority of the receivables are from the Government, with collection expected to be fully paid by end of the year. This explains why receivables as at 31 December 2023 were lower compared to the first quarter of 2024.

Higher payables as of 31 March 2024 were primarily due to increased purchases resulting from the addition of new products to the Approved Product Price List in the new concession period, as well as price revisions under the new concession cycle due to increased supplier costs.

Consolidated Statement of Cash Flows

For the period under review, the deficit in cash from operations was mainly due to the payment of the overdue suppliers.

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	
	2024 RM'000	2023 RM'000	+ / (-) %
Revenue	964,959	789,807	22.2%
Earnings/(Loss) before interest, taxation, depreciation and amortisation	66,495	(9,142)	> 100%
Profit/(Loss) before interest, zakat and taxation	55,977	(21,476)	> 100%
Profit/(Loss) before zakat and taxation	39,044	(37,439)	> 100%
Profit/(Loss) for the financial period	26,179	(34,787)	> 100%
Profit/(Loss) attributable to owners of the parent	25,646	(35,429)	> 100%

The Group's revenue for the quarter under review increased by 22.2% to RM965.0 million compared with the previous quarter (Q4 2023). All segments showed improvement, with significant growth in both the concession and non-concession segments. The higher revenue in the concession segment for the current quarter as, compared with Q4 2023, was attributed to the absence of government orders in December 2023 due to the closing of Government accounts in November 2023. Meanwhile, the higher revenue in the non-concession segment for the current quarter was mainly due to a tender awarded for blood products amounting to RM21 million.

As a result, the Group recorded a PBT of RM39.0 million, marking a significant improvement compared with the preceding quarter, which incurred a substantial loss before zakat and taxation of RM37.4 million. This positive turnaround was due to higher revenue coupled with lower operating expenses. Provisions made in the immediate preceding quarter for slow-demand pandemic-related consumables inventory and a write-down of property, plant and equipment related to a non-viable project amounting to RM30 million.

Correspondingly, the Group recorded a profit after tax (PAT) of RM26.2 million for the quarter under review, compared with the loss after tax (LAT) of RM34.8 million in the immediate preceding quarter.

B19. Prospects

The Group is poised to sustain its momentum into the first quarter of 2024, leveraging the solid groundwork established in 2023 including restructuring of business operations, improved operational capabilities and cost control measures. Our strategic blueprint, anchored by five principal pillars – fortifying engagement in the public sector, enhancing biopharmaceutical endeavours, streamlining costs, expanding into private markets and transforming operations in Indonesia – continues to guide our long-term growth and value creation efforts.

The global economic outlook in early 2024 is cautiously optimistic. The International Monetary Fund (IMF) projects a growth rate of 3.2%. This outlook is supported by resilient consumer spending and gradual improvements in supply chain disruptions, despite ongoing geopolitical tensions and fluctuations in commodity prices.

In Malaysia, the economic outlook for the first quarter of 2024 remains moderately positive, with GDP growth forecasted at 4.5%. This growth is driven by strong domestic consumption and robust export activities. The government's economic reforms and fiscal measures, particularly those targeting SMEs and the healthcare sector, are expected to support this trajectory, although inflationary pressures and higher interest rates remain areas of concern.

Indonesia's economy is projected to maintain stable growth at 5% in 2024, according to the Asian Development Bank (ADB). This stability is underpinned by strong domestic consumption, infrastructural investments, and a favourable business environment. Our logistics subsidiary, PT Millennium Pharmacon International Tbk (MPI), has strengthened its market presence with the opening of 2 new branches in February 2024, aligning with this positive economic outlook.

Pharmaniaga's logistics and distribution operations remain resilient and uninterrupted, despite our PN17 status. We continue to deliver essential medical supplies to government hospitals on schedule, maintaining strong relationships and trust with the Ministry of Health Malaysia.

Our commitment to innovation and product portfolio expansion is reflected in our advancing manufacturing endeavours. The readiness of our manufacturing facilities, including the Prefilled Syringes (Vaccines) and Cartridge (Insulins) facilities, demonstrates our preparedness for upcoming production phases. Our insulin project progresses steadily, with dossier submission in February 2024 and technology transfer slated for June 2024, aiming for middle of year 2025 commercialisation. For vaccine project, the media fill is expected to be completed by September 2024 with the initiation of Process Validation batch in December 2024. With these developments, we are well-positioned to meet demand, ensuring sustained growth for Pharmaniaga.

Pharmaniaga remains committed to driving growth and enhancing value through strategic planning, operational excellence, and continuous innovation. Our focus on resilience and sustainability will guide us through the challenges ahead.

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	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Taxation based on profit for the period:				
- Current	10,430	6,017	10,430	6,017
- Deferred	2,298	(622)	2,298	(622)
	12,728	5,395	12,728	5,395
Under provision in prior periods:				
- Current	137	1,032	137	1,032
- Deferred	-	-	-	-
	137	1,032	137	1,032
	12,865	6,427	12,865	6,427

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

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

The Group had submitted its regularisation plan to Bursa Malaysia ("Proposed Regularisation Plan") on 23 February 2024 with the following proposals:

- proposed capital reduction of the issued share capital of the Company by the cancellation of RM180.0 million issued share capital which is lost and/or unrepresented by available assets;
- proposed renounceable rights issue to its shareholders to raise gross proceeds of up to RM354.6 million; and
- proposed private placement to third party investor(s) to be identified at a later date to raise gross proceeds of up to RM300.0 million.

The Proposed Regularisation Plan is subject to procuring the following approvals:

- Bursa Malaysia;
- the shareholders of the Company at the Extraordinary General Meeting to be convened; and
- the order of the High Court of Malaya pursuant to Section 116 of the Companies Act for the Proposed Capital Reduction.

B23. Borrowings and Debt Securities

	31 March 2024 RM'000	31 March 2023 RM'000	31 December 2023 RM'000
Non-current:			
Term loans			
- Denominated in Ringgit Malaysia	45,247	40,070	50,512
- Denominated in Indonesian Rupiah	12,748	-	13,112
Revolving credits	66,664	181,332	74,998
Hire purchase:			
- Denominated in Ringgit Malaysia	517	1,238	641
- Denominated in Indonesian Rupiah	95	142	109
	125,271	222,782	139,372
Current:			
Term loans			
- Denominated in Ringgit Malaysia	17,664	-	16,500
- Denominated in Indonesian Rupiah	364	-	-
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	438,083	543,719	480,804
- Denominated in Indonesian Rupiah	238,038	213,071	213,300
Revolving credits	316,467	273,067	319,367
Bridging loan	75,000	-	17,079
Hire purchase:			
- Denominated in Ringgit Malaysia	611	498	632
- Denominated in Indonesian Rupiah	48	84	45
	1,086,275	1,030,439	1,047,727
The amount of borrowings denominated in Indonesian Rupiah	IDR'000 843,265,101	723,040,678	760,288,591
Exchange rate for Indonesian Rupiah	RM 0.0298	0.0295	0.0298

As at 31 March 2024, the weighted average floating interest rate of borrowings was 5.8% (2023: 5.3%) 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 March 2024.

The banks are contractually entitled to request for immediate repayment of the outstanding borrowings amounting of RM330.1 million due to the breach of financial covenants, presented as current liabilities as at 31 March 2024. 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 net worth of the Group must not be less than RM336.0 million;
- The consolidated ratio of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") to finance expenses shall not be less than 4 times; and
- The consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times.

The total borrowings related to the breach in covenants is RM166.4 million. These borrowings are presented as current liabilities as at 31 March 2024.

On 21 December 2023, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM78.9 million. Subsequently, on 11 March 2024, the Group was granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

On 16 February 2024, the Group was granted indulgence from another financial institution for non-compliance with the financial covenant relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM87.5 million.

The remaining borrowings balance without indulgence is nil.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B23. Borrowings and Debt Securities (cont'd)**

(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 times; and
- The consolidated tangible net worth of the Group must not be less than RM149.9 million.

The total borrowings related to the breach in covenants is RM101.8 million. These borrowings are presented as current liabilities as at 31 March 2024.

On 16 February 2024, the Group was granted indulgence from a financial institution for non-compliance with the financial covenants relating to EBITDA to finance expenses shall not be less than 4 times and consolidated ratio of Net Debt to EBITDA shall not be more than 3.5 times, with a borrowing balance of RM50.0 million.

The remaining borrowings balance without indulgence is RM51.8 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 times.

The total borrowings related to the breach in covenants is RM61.9 million.

On 21 December 2023, the Group was granted indulgence from one financial institution for non-compliance with the financial covenant relating to net worth of the Group, with a borrowing balance of RM61.9 million. Subsequently, on 11 March 2024, the Group was granted indulgence from the same financial institution for the same financial covenant for the period up to 30 April 2025.

As the indulgence was granted and the lender does not have the rights to demand for immediate repayment as at the reporting date, the borrowings of RM45.2 million remain as a non-current liability for the Group. The remaining RM16.7 million is presented as current liability in accordance with the contractual repayment terms.

All of the Group's lenders, including the lenders mentioned above, have not requested early repayment of the borrowings and the Group did not default on any repayment obligations as of the date when these interim financial statements were approved by the Board of Directors.

(iv) Facilities with cross-default clauses

As at 31 March 2024, other than the borrowings disclosed in above, certain facilities within the Group of RM412.9 million contain cross-default clauses that may be breached due to the Group failing to meet certain financial covenants of other borrowings. These borrowings are presented as current liabilities as at 31 March 2024.

The banks had not requested early repayment of these borrowings and the Group 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 profit before zakat and taxation is stated after charging/(crediting) the following:

	Current Period		Cumulative Period	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Depreciation and amortisation	10,518	9,982	10,518	9,982
Net impairment of write-off of receivables	498	285	498	285
Net (reversal)/ provision for stock obsolescence and write-off of inventories	(288)	3,093	(288)	3,093
Write-off of intangible assets	305	-	305	-
Net foreign exchange losses/ (gains)	213	(580)	213	(580)

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 31 March 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**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	
	2024	2023	2024	2023
Profit attributable to owners of the Company (RM'000)	25,646	2,648	25,646	2,648
Average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Basic earnings per share (sen)	1.78	0.20	1.78	0.20

(b) Diluted earnings per share

Profit attributable to owners of the Company (RM'000)	25,646	2,648	25,646	2,648
Average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Assumed shares issued under Long Term Incentive Plan ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	1,441,229	1,310,209	1,441,229	1,310,209
Diluted earnings per share (sen)	1.78	0.20	1.78	0.20

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 27 May 2024.

By Order of the Board

Selangor
27 May 2024

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