

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

	Note	3 MONTHS ENDED		PERIOD ENDED	
		30/06/2023	30/06/2022	30/06/2023	30/06/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		215,031	209,248	460,829	425,170
Cost of sales		(162,867)	(161,914)	(353,097)	(331,856)
Gross profit		52,164	47,334	107,732	93,314
Other income		2,000	1,162	4,254	3,145
Selling & marketing expenses		(22,671)	(21,104)	(49,072)	(42,558)
Administrative expenses		(7,343)	(6,316)	(13,279)	(13,448)
Other expenses		(338)	(272)	(605)	(497)
Finance costs		(147)	(176)	(307)	(368)
Share of results of associated companies		310,859	7,223	315,473	8,081
Profit before tax	A7	334,524	27,851	364,196	47,669
Income tax expense	B6	(5,041)	(4,365)	(10,431)	(8,413)
Net profit for the period		329,483	23,486	353,765	39,256
Other comprehensive income:					
Exchange differences on translation of foreign operations, net of tax		(2)	(2)	(5)	(4)
Net change in fair value of equity instrument designated at fair value through other comprehensive income		-	-	-	-
Total comprehensive income for the period		329,481	23,484	353,760	39,252
Net profit attributable to:					
Owners of the parent		329,483	23,489	353,765	39,259
Non-controlling interest		-	(3)	-	(3)
Net profit for the period		329,483	23,486	353,765	39,256
Total comprehensive income attributable to:					
Owners of the parent		329,481	23,487	353,760	39,255
Non-controlling interest		-	(3)	-	(3)
Total comprehensive income for the period		329,481	23,484	353,760	39,252
Earnings per share attributable to owners of the parent:		Sen	Sen*	Sen	Sen*
- Basic	B11	46.13	3.30	49.53	5.52
- Diluted	B11	46.06	3.30	49.45	5.51

*For comparative purposes, the earnings per share for the corresponding quarter and period ended 30 June 2022 had been retrospectively adjusted to reflect the effect of the bonus issue.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000 <u>(Audited)</u>
ASSETS			
Non-Current Assets			
Property, plant and equipment	A12	190,367	189,333
Investment properties		9,577	8,675
Intangible assets		3,874	3,955
Right-of-use assets		5,804	6,071
Investments in associated companies		172,741	70,308
Other Investment		477	334
Deferred tax assets		2,060	1,806
		<u>384,900</u>	<u>280,482</u>
Current Assets			
Inventories		128,682	110,529
Receivables		187,776	178,161
Prepayments		1,532	1,294
Tax recoverable		275	238
Derivative financial instruments	A15 & B12	1	82
Deposits, bank and cash balances		376,528	174,471
		<u>694,794</u>	<u>464,775</u>
TOTAL ASSETS		<u>1,079,694</u>	<u>745,257</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Payables		163,610	160,429
Borrowings	B8	5,857	5,857
Lease liabilities		674	745
Current tax payable		7,560	3,567
		<u>177,701</u>	<u>170,598</u>
Non-Current Liabilities			
Borrowings	B8	714	3,643
Lease liabilities		5,584	5,754
Deferred tax liabilities		7,466	6,834
		<u>13,764</u>	<u>16,231</u>
TOTAL LIABILITIES		<u>191,465</u>	<u>186,829</u>
NET ASSETS		<u>888,229</u>	<u>558,428</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		132,544	129,834
Reserves		19,486	19,842
Retained earnings		736,199	408,752
		<u>888,229</u>	<u>558,428</u>
Non-controlling interest		-	-
TOTAL EQUITY		<u>888,229</u>	<u>558,428</u>
		RM	RM*
Net Assets per share attributable to owners of the parent		<u>1.24</u>	<u>0.79</u>

*For comparative purposes, the Net Assets per share for the corresponding year to date ended 31 December 2022 had been retrospectively adjusted to reflect the effect of the bonus issue.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

	Note	← Non-Distributable →			Distributable	Equity	Non-controlling Interest	Total Equity
		Share Capital	Foreign currency translation reserve	Fair value reserve	Share option reserve	Retained Earnings		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PERIOD ENDED 30 JUNE 2023								
Balance at 1 January 2023		129,834	18,205	-	1,637	408,752	558,428	558,428
Total comprehensive income		-	(5)	-	-	353,765	353,760	353,760
Share options granted		-	-	-	298	-	298	298
Share options lapsed		-	-	-	(9)	9	-	-
Transfer to share capital for share options exercised		640	-	-	(640)	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	-	(26,327)	(26,327)	(26,327)
Issuance of ordinary share pursuant to ESOS		2,070	-	-	-	-	2,070	2,070
Total transaction with owners		2,070	-	-	-	(26,327)	(24,257)	(24,257)
Balance as at 30 June 2023		132,544	18,200	-	1,286	736,199	888,229	888,229
PERIOD ENDED 30 JUNE 2022								
Balance at 1 January 2022		127,191	13,023	-	1,544	365,018	506,776	506,857
Total comprehensive income		-	(4)	-	-	39,259	39,255	39,252
Share options granted		-	-	-	329	-	329	329
Share options lapsed		-	-	-	(12)	12	-	-
Transfer to share capital for share options exercised		325	-	-	(325)	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	-	(42,931)	(42,931)	(42,931)
Issuance of ordinary share pursuant to ESOS		1,418	-	-	-	-	1,418	1,418
Total transaction with owners		1,418	-	-	-	(42,931)	(41,513)	(41,513)
Balance as at 30 June 2022		128,934	13,019	-	1,536	361,358	504,847	504,925

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2023

	PERIOD ENDED	
	30/06/2023	30/06/2022
	RM'000	RM'000
Operating activities		
Profit before tax	364,196	47,669
Adjustments for:		
Depreciation and amortisation	8,417	7,453
Net profit on disposal of property, plant and equipment	(237)	(574)
Share of results of associated companies	(315,473)	(8,081)
Fair value changes of derivative financial instruments	81	(26)
Share options granted	298	329
Depreciation of right-of-use assets	432	419
Lease interest expense	154	151
Inventories written off/ written down	13	165
Impairment on receivables net of reversals	1,050	(245)
Interest expense	153	217
Interest income	(1,177)	(769)
Operating cash flows before changes in working capital	57,907	46,708
Inventories	(18,166)	(6,877)
Receivables	(10,904)	(11,023)
Payables	3,182	244
Cash generated from operations	32,019	29,052
Tax paid	(6,097)	(6,584)
Net cash flows generated from operating activities	25,922	22,468
Investing activities		
Investment in an associated company	(3,960)	-
Investment in trust fund	(143)	(289)
Purchase of property, plant and equipment & intangible assets	(10,348)	(24,105)
Proceeds from disposal of property, plant and equipment	308	660
(Placement in)/ withdrawal from short term deposit	(107)	70,156
Dividend from associated company	217,000	-
Interest received	1,177	769
Net cash flows generated from investing activities	203,927	47,191
Financing activities		
Proceed from issuance of shares under ESOS	2,070	1,418
Repayment of term loans	(2,929)	(2,929)
Dividends paid	(26,327)	(42,931)
Interest paid	(153)	(217)
Payment of lease liabilities	(560)	(568)
Net cash flows used in financing activities	(27,899)	(45,227)
Net increase in cash and cash equivalents	201,950	24,432
Cash and cash equivalents at 1 January	164,512	103,860
Cash and cash equivalents at the end of the financial period	366,462	128,292

Included in the deposits, bank and cash balances was RM 10,066,000 (30 June 2022: RM 20,042,000) placed with money market fund held for investment purposes and deposits with licensed banks with tenure more than 3 months. Both of these do not form part of cash and cash equivalents.

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2023

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 and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. It should be read in conjunction with the Group's most recent audited financial statements for the year ended 31 December 2022.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities classified as financial assets and liabilities at fair value through profit or loss, other comprehensive income and financial assets designated as available for sale.

A2 Significant accounting policies

The significant accounting policies adopted in preparing these unaudited condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2022 except for the adoption of the following standards, wherever applicable to the Group and Company:

Description	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9—Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16: Lease liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The initial application of the abovementioned standards and amendments do not have any material impacts to the current and prior periods financial statements upon their first adoption.

A3 Seasonality or cyclicity of interim operations

The Group's interim operations are not affected materially by any seasonal or cyclical factors.

A4 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the period ended 30 June 2023 except for the non-recurring gain of RM 304.4 million recorded by the Group's associated company, SAG as mentioned in Note B1 below.

A5 Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial year

There were no changes in estimates of amounts reported in the prior interim periods of the current financial year or in prior financial year.

A6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

For the current quarter, 1,011,000 new ordinary shares were issued pursuant to the exercise of options under the Executive Share Options Scheme ("ESOS") before the completion of bonus issue. On 12 June 2023, 239,342,674 new ordinary shares on the basis of 1 bonus share for every 2 existing shares were issued and listed on Bursa Securities.

Other than the above, there were no issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the second quarter ended 30 June 2023.

A7 Profit before tax

Included in profit before tax are the following items:

	3 MONTHS ENDED		PERIOD ENDED	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Interest income	672	377	1,177	769
Other income including investment income	1,148	658	2,643	1,639
Interest expense	(71)	(101)	(153)	(217)
Depreciation and amortisation	(4,229)	(3,783)	(8,417)	(7,453)
Depreciation of right-of-use assets	(211)	(209)	(432)	(419)
Impairment on receivables net of reversals	(50)	6	(1,050)	245
Inventories written off/ written down net of reversals	3	(152)	(13)	(165)
Net profit on disposal of property, plant and equipment	159	61	237	574
Fair value changes of derivative financial instruments	(113)	36	(81)	26
Foreign exchange gain/ (loss)	45	(92)	114	(7)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2023 (continued)

A8 Dividends paid and declared

The amount of dividends paid during the current and previous years were as follows:

	30/06/2023	30/06/2022
	RM'000	RM'000
<u>In respect of the financial year ended 31 December</u>		
2022: Final single-tier dividend comprising 3.50 sen per share paid on 16-June-23	16,754	-
2022: Special dividend comprising 2.00 sen per share paid on 16-June-23	9,573	-
2021: Final single-tier dividend comprising 3.00 sen per share paid on 16-June-22	-	14,310
2021: Special dividend comprising 6.00 sen per share paid on 16-June-22	-	28,621
	<u>26,327</u>	<u>42,931</u>

A9 Segment Information

The Group is organised into three main business units based on their activities, and has three reportable operating segments as follows:

- (i) Manufacturing of pharmaceutical products ("Manufacturing");
- (ii) Distribution of pharmaceutical and healthcare products ("Distribution"); and
- (iii) Corporate comprising investments, properties and others ("Corporate").

OPERATING SEGMENTS

	Manufacturing	Distribution	Corporate	Adjustments	GROUP
	RM'000	RM'000	RM'000	RM'000	RM'000
PERIOD ENDED 30/06/2023					
External Revenue	42,379	418,430	20	-	460,829
Inter-segment revenue	90,474	26	40,501	(131,001)	-
Total Revenue	<u>132,853</u>	<u>418,456</u>	<u>40,521</u>	<u>(131,001)</u>	<u>460,829</u>
Segment Results	37,216	17,530	311,599	(1,842)	364,503
Finance costs					(307)
Profit before tax					<u>364,196</u>
PERIOD ENDED 30/06/2022					
External Revenue	39,224	385,925	21	-	425,170
Inter-segment revenue	69,379	21	6,607	(76,007)	-
Total Revenue	<u>108,603</u>	<u>385,946</u>	<u>6,628</u>	<u>(76,007)</u>	<u>425,170</u>
Segment Results	28,008	17,639	4,073	(1,683)	48,037
Finance costs					(368)
Profit before tax					<u>47,669</u>
Segment assets					
30-Jun-2023	263,224	365,778	457,791	(7,099)	1,079,694
31-Dec-2022	<u>241,313</u>	<u>351,052</u>	<u>160,039</u>	<u>(7,147)</u>	<u>745,257</u>
Segment liabilities					
30-Jun-2023	(46,422)	(124,868)	(5,149)	(15,026)	(191,465)
31-Dec-2022	<u>(49,159)</u>	<u>(121,409)</u>	<u>(5,860)</u>	<u>(10,401)</u>	<u>(186,829)</u>

A10 Significant Events After the Reporting Date

There were no significant events that had arisen subsequent to the end of this current period.

A11 Changes in Group Composition

The Group did not undertake any business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinuation of operations during the current quarter ended 30 June 2023.

A12 Property, plant and equipment

During the current quarter ended 30 June 2023, the Group made an advance payment of capital expenditure of RM 6.6 million (30 June 2022: RM 7.8 million).

Asset with carrying amount of RM 5,000 was disposed by the Group during the current quarter ended 30 June 2023 (30 June 2022: RM Nil) and resulting in a net disposal gain of RM 159,000 (30 June 2022: RM 61,000).

There was no material asset written off in the current quarter and the corresponding quarter in the previous year.

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2023 (continued)

A13 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 30 June 2023 are as follows:

	<u>RM'000</u>
Authorised capital expenditure approved and contracted for	6,598
Authorised capital expenditure approved but not contracted for	<u>12,018</u>
	<u>18,616</u>

A14 Related Party Transactions

The Group did not have any significant transactions with related parties during the period ended 30 June 2023 in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2022.

A15 Fair value hierarchy

The Group uses the following level of fair value hierarchy for determining the fair value of its financial instruments carried at fair value.

Financial assets:	30/06/2023	31/12/2022
	RM'000	RM'000
	(Level 2)	
Other investment	477	334
Derivatives - Forward currency contracts	<u>1</u>	<u>82</u>

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between the fair value hierarchy during the current interim period and financial year ended 2023 and 2022.

A16 Changes in Contingent liabilities or Contingent assets

There were no contingent liabilities or contingent assets of the Group since the end of the last annual reporting date.

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

(THE FIGURES HAVE NOT BEEN AUDITED)

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A
B1 Detailed Performance Analysis of Operating Segments of the Group

	Individual Period		Changes	Cumulative Period		Changes
	Current Year	Preceding Year		Current Year	Preceding Year	
	Quarter	Corresponding Quarter		To-date	Year To-date	
	30/06/2023	30/06/2022		30/06/2023	30/06/2022	
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	215,031	209,248	2.8%	460,829	425,170	8.4%
Share of results of associated companies	310,859	7,223	4203.7%	315,473	8,081	3803.9%
Finance Cost	(147)	(176)	(16.5%)	(307)	(368)	(16.6%)
Profit Before Tax	334,524	27,851	1101.1%	364,196	47,669	664.0%
Profit After Tax	329,483	23,486	1302.9%	353,765	39,256	801.2%

Review of Current Quarter Performance versus Corresponding Quarter Last Year

For Q2 2023, the Group registered consolidated revenue of RM 215.0 million, 2.8% higher than the RM 209.2 million achieved in Q2 2022. Sales of pharmaceuticals, consumer healthcare products and medical devices to both private and public sector customers remained firm in the second quarter in key markets. Demand for XEPA products was particularly strong in international markets, especially Singapore. Operating profit for Q2 2023 of RM 23.8 million represents an improvement of 14.5% over Q2 2022.

On 28 April 2023, the Group announced that its 40% associate Straits Apex Group Sdn Bhd ('SAG') had entered into agreements to divest its entire equity interest in Straits Apex Sdn Bhd ('SA') to Quadria Capital, and the reinvestment by SAG in the SA Group of companies by way of equity subscription and rollover in the new holding company of SA (the 'Transactions'). The disposal consideration of USD 240 million is subject to net debt and working capital adjustments to be finalized after closing and satisfied via a combination of payment of cash and issuance of 40% equity in the new holding company of SA. On 11 May 2023, the Transactions were completed, and the Group's share of the non-recurring gain recognized by SAG at completion is estimated at RM 304.4 million. A portion of the proceeds received by SAG from the completion of the Transactions were distributed as dividends, and the Group has received RM 217 million as its share.

Share of recurring earnings from SAG, which includes the recognition of a 40% interest in the business operations of SA, is RM 6.5 million for Q2 2023, 10.4% lower than the RM 7.2 million recognized in Q2 2022. This is mainly due to the reduction in the Group's effective interest in SA from 40% to 16% on completion of the Transactions. Together with the estimated non-recurring gain on disposal, total share of earnings from SAG for the second quarter rose to a record RM 310.9 million.

Group profit before tax for the second quarter spiked to a high of RM 334.5 million, 1101% higher than the RM 27.8 million achieved in the corresponding period in 2022. Group profit after tax for the second quarter rose 1303% to a record RM 329.5 million, up from RM 23.5 million in the same period last year.

Review of Year To Date Performance versus Corresponding Period Last Year

For H1 2023, Group subsidiary companies achieved consolidated revenue of RM 460.8 million, 8.4% higher than the RM 425.2 million recorded for the same period in 2022. Revenue growth this year is driven by the momentum of the economic recovery from 2022 with demand for pharmaceuticals, consumer healthcare products and medical devices remaining firm in the first half year. Operating profit for H1 2023 of RM 49.0 million represents an improvement of 22.7% over H1 2022.

Share of results from associated company SAG is RM 315.5 million, significantly higher than the RM 8.1 million recognized in 2022. This is because RM 304.4 million, being the Group's share of the non-recurring gain recognized by its 40% associate SAG at the completion of the Transactions, was taken up in the second quarter.

Group profit before tax for the first half year is RM 364.2 million, 664% higher than the RM 47.7 million achieved in the corresponding period in 2022. Group profit after tax for the first half year is RM 353.8 million, a growth of 801% over the previous year. This is due to the improved operating profit from Group subsidiaries as well as a significantly increased net-of-tax contribution from associated company SAG for reasons highlighted.

B2 Material changes in the profit before tax for the quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/2023	31/03/2023	RM'000	(%)
	RM'000	RM'000	RM'000	(%)
Revenue	215,031	245,798	(30,767)	(12.5%)
Share of results of associated companies	310,859	4,614	306,245	6637.3%
Finance Cost	(147)	(160)	13	-8.1%
Profit Before Tax	334,524	29,672	304,852	1027.4%
Profit After Tax	329,483	24,282	305,201	1256.9%

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

(THE FIGURES HAVE NOT BEEN AUDITED)

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B2 Material changes in the profit before tax for the quarter (cont'd)

Group profit before taxation for Q2 2023 is RM 334.5 million, an increase of 9.26x when compared to RM 29.7 million achieved in Q1 2023, because of a significantly higher contribution of RM 310.9 million from the Group's associate, SAG, for the second quarter. This is due to the non-recurring gain recognized by SAG at the completion of the Transactions, of which the Group's share is RM 304.4 million.

B3 Commentary

a Prospects

The Group's core manufacturing and distribution businesses continue to perform well in the second quarter of 2023, driven by the Group's commitment to sales growth, new product development, brand management, customer service and operational efficiency. Demand for pharmaceuticals, consumer healthcare products and medical devices remained firm in the first half of 2023, supported by the sales momentum from 2022.

Business prospects for the Group's Penang-based associate SAG remain unchanged from the first quarter. A portion of the proceeds received by SAG from the divestment of equity in SA to Quadria Capital has been paid to shareholders as dividends and the Group is actively evaluating opportunities to invest dividends received in new business projects. Details will be announced should these materialize.

For the second half of 2023, the Group expects the business environment to be more challenging as economic growth in our key markets slows. However, the Group is confident that its proven and well-placed fundamentals, business development strategies, as well as new opportunities in consumer health, halal certification and international markets are expected to support performance. Barring any unforeseen circumstances, the Group expects to deliver a satisfactory result in 2023 and is confident that its longer-term growth prospects remain positive.

b Progress to achieve forecast revenue or profit estimate

Not applicable.

B4 Statement by the Board of Directors' opinion on the achievability of forecast revenue or profit estimate

Not applicable.

B5 Profit Forecast /Profit Guarantee

Not applicable.

B6 Income Tax Expense

	3 MONTHS ENDED		PERIOD ENDED	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	4,237	3,408	8,877	6,818
Deferred tax	239	443	379	610
Foreign tax	565	514	1,175	985
	<u>5,041</u>	<u>4,365</u>	<u>10,431</u>	<u>8,413</u>

The effective tax rate for the current quarter and previous year corresponding quarter were lower than the statutory rate of 24% due to the net-of-tax profit contributed by the Group's associated company.

B7 Status of Corporate Proposals

On 28 April 2023, Straits Apex Group Sdn Bhd ('SAG'), a 40% owned associate company of the Company entered into agreements for the divestment of its entire equity interest in Straits Apex Sdn Bhd ('SA') to Quadria Capital, and the reinvestment by SAG in the SA Group of companies by way of equity subscription and rollover in the new holding company of SA (the 'Transactions'). The disposal consideration of USD 240 million is subject to net debt and working capital adjustments to be finalized after closing and satisfied via a combination of payment of cash and issuance of 40% equity in the new holding company of SA. On 11 May 2023, the Transactions were completed, and the Group's share of the non-recurring gain recognized by SAG at completion is estimated at RM 304.4 million. A portion of the proceeds received by SAG from the completion of the Transactions were distributed as dividends, and the Group has received RM 217 million as its share.

Save as disclosed above, there were no corporate proposals announced but not completed as at 15 August 2023.

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B8 Group Borrowings and Debt Securities

	As at 30/06/2023		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Secured bank loans	714	5,857	6,571

	As at 31/12/2022		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Secured bank loans	3,643	5,857	9,500

The bank borrowings is to part finance the construction of the new oral solid dosage plant, SPP NOVO by Xepa-Soul Pattinson (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company. The loans are denominated in Ringgit Malaysia and secured by a Corporate Guarantee provided by the Company. The weighted average interest rates are tagged to a percentage margin above one-month Effective Cost of Funds. Other than the principal repayments, there were no material changes in the amount of borrowings at the end of the current quarter compared to the end of the previous financial year ended 31 December 2022.

B9 Material Litigation

There was no pending material litigation at the date of this report.

B10 Dividend Payable

a The Board of Directors is pleased to declare the payment of an interim single-tier dividend of 2.5 sen per share in respect of the financial year ending 31 December 2023, resulting in a total dividend to-date for the current financial year of 2.5 sen per share based on the enlarged 714 million number of ordinary shares post bonus issue. (Year 2022: Interim single-tier dividend of 3.0 sen per share).

b The interim dividend will be paid on 19 September 2023 and the entitlement date is 8 September 2023.

B11 Earnings per share

The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

		3 MONTHS ENDED		PERIOD ENDED	
		30/06/2023	30/06/2022	30/06/2023	30/06/2022
<u>Basic Earnings per share</u>					
Profit after tax	RM'000	329,483	23,489	353,765	39,259
Weighted average number of ordinary shares in issue as presented prior to bonus	'000	474,954	474,158	474,954	474,158
Effect of bonus issue	'000	239,343	237,079	239,343	237,079
	'000	714,297	711,237	714,297	711,237
Basic earnings per share	sen	46.13	3.30	49.53	5.52
<u>Diluted Earnings per share</u>					
Profit after tax	RM'000	329,483	23,489	353,765	39,259
Weighted average number of ordinary shares in issue	'000	714,297	711,237	714,297	711,237
Effect of dilution-Share options	'000	1,074	1,551	1,074	1,551
Adjusted weighted average number of ordinary shares in issue	'000	715,371	712,788	715,371	712,788
Diluted earnings per share	sen	46.06	3.30	49.45	5.51

Pursuant to MFRS 133 Earnings Per Share, the Earnings Per Share for the corresponding quarter and period to date ended 30 June 2023 had been retrospectively adjusted to reflect the effect of the bonus issue.

B12 Derivative Financial Instruments

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into currencies other than their functional currencies by the subsidiary companies. These companies enter into short-term forward foreign exchange contracts to manage their exposure to fluctuations in foreign currency exchange rates on specific transactions arising from trade receivables and payables.

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B12 Derivative Financial Instruments (cont'd)

Type of Derivatives	Contract/ Notional Value	Fair Value
	30/06/2023 RM'000	30/06/2023 RM'000
i) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers - Less than 1 year	(1,076)	(1,075)
	(1,076)	(1,075)

No derivative was entered into by the Company which has not been disclosed in the preceding financial year or any quarters in the current financial year. Since the end of the previous financial year or any quarters in the current financial year, there was no change in any of the information disclosed in respect of the following:

- a The credit risk, market risk and liquidity risks associated with the derivatives;
- b The policies in place for mitigating or controlling the risks associated with these derivatives;
- c The related accounting policies.

The net cash requirements relating to these contracts was RM 1,076,000.

B13 Fair Value Changes of Financial Assets

As at 30 June 2023, the Group did not have any significant financial assets measured at fair value through profit or loss and other comprehensive income other than the disclosure in note A15.

B14 Auditors' report on preceding annual financial statements

The Auditors' report on the Group's financial statements for the year ended 31 December 2022 was not qualified.

Authorisation for issue

The interim financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 23 August 2023.