

Pharmaniaga Berhad (199801011581 (467709-M))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the quarter ended 31 December 2020	Current Period		Cumulative Period	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	634,583	715,683	2,725,071	2,820,530
Cost of sales	(581,652)	(869,581)	(2,429,875)	(2,726,549)
Gross profit/(loss)	52,931	(153,898)	295,196	93,981
Other income	337	188	1,276	1,245
Operating expenses	(62,078)	(76,100)	(227,610)	(248,225)
Finance costs	(4,880)	(9,161)	(33,702)	(40,258)
Interest income	184	497	633	1,392
(Loss)/Profit before zakat and taxation	(13,506)	(238,474)	35,793	(191,865)
Zakat	(1,409)	186	(2,522)	(2,240)
Taxation	7,868	59,555	(7,002)	44,658
(Loss)/Profit for the financial period/year	(7,047)	(178,733)	26,269	(149,447)
(Loss)/Profit for the financial period/year attributable to:				
Owners of the parent	(6,331)	(178,598)	27,489	(149,219)
Non-controlling interests	(716)	(135)	(1,220)	(228)
(Loss)/Profit for the financial period/year	(7,047)	(178,733)	26,269	(149,447)
(Loss)/Earnings per share - sen				
- Basic	(2.42)	(68.45)	10.51	(57.19)
- Diluted	(2.42)	(68.21)	10.50	(56.99)

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 2020	Current Period		Cumulative Period	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial period/year	(7,047)	(178,733)	26,269	(149,447)
<u>Other comprehensive income/(loss), net of tax</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation income/(loss) of foreign operations	2,134	27	(3,248)	2,544
Recognition of actuarial gain/(loss)	295	(35)	295	(212)
	2,429	(8)	(2,953)	2,332
Total comprehensive (loss)/income for the financial period/year	(4,618)	(178,741)	23,316	(147,115)
Attributable to:				
Owners of the parent	(4,213)	(178,599)	24,868	(147,122)
Non-controlling interests	(405)	(142)	(1,552)	7
Total comprehensive (loss)/income for the financial period/year	(4,618)	(178,741)	23,316	(147,115)

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 December 2020	As at 31 December 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	365,529	382,268
Intangible assets	205,037	200,342
Rights-of-use assets	32,942	27,842
Deferred tax assets	50,405	48,139
	<u>653,913</u>	<u>658,591</u>
Current assets		
Inventories	586,713	617,909
Receivables	287,932	267,132
Amount due from immediate holding company	7	14
Tax recoverable	10,896	19,069
Deposits, cash and bank balances	40,696	29,587
	<u>926,244</u>	<u>933,711</u>
TOTAL ASSETS	<u>1,580,157</u>	<u>1,592,302</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	153,339	151,879
Reserves	184,189	185,972
Shareholders' equity	<u>337,528</u>	<u>337,851</u>
Non-controlling interests	17,437	19,075
Total equity	<u>354,965</u>	<u>356,926</u>
Non-current liabilities		
Borrowings	337	316
Lease liabilities	590	2,125
Deferred tax liabilities	16,239	18,066
Provision for defined benefit plan	10,259	9,999
Government grants	3,948	4,289
	<u>31,373</u>	<u>34,795</u>
Current liabilities		
Payables	515,088	626,510
Amount due to immediate holding company	74	190
Current tax liabilities	926	715
Contract liabilities	6,567	6,387
Government grants	341	341
Borrowings	669,272	564,981
Lease liabilities	1,551	1,457
	<u>1,193,819</u>	<u>1,200,581</u>
Total liabilities	<u>1,225,192</u>	<u>1,235,376</u>
TOTAL EQUITY AND LIABILITIES	<u>1,580,157</u>	<u>1,592,302</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 year ended 31 December 2020	Attributable to shareholders of the Company						Non-controlling Interests	Total Equity
	<----- Non-distributable ----->			Distributable		Total		
	Share Capital	Exchange Reserve	Share Reserve	Retained Earnings				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2020	151,879	3,289	7,191	175,492	337,851	19,075	356,926	
- Net profit/(loss) for the financial year	-	-	-	27,489	27,489	(1,220)	26,269	
- Other comprehensive (loss)/income	-	(2,837)	-	216	(2,621)	(332)	(2,953)	
Total comprehensive (loss)/income for the financial year	-	(2,837)	-	27,705	24,868	(1,552)	23,316	
Transactions with owners								
Share options granted under Share Option Plan	-	-	91	-	91	-	91	
Shares granted under Long Term Incentive Plan	-	-	860	-	860	-	860	
Issuance of new shares - Long Term Incentive Plan	1,460	-	(1,460)	-	-	-	-	
Forfeiture of shares options under Share Option Plan	-	-	(4,260)	4,260	-	-	-	
Forfeiture of shares under Long Term Incentive Plan	-	-	(426)	426	-	-	-	
Dividends	-	-	-	(26,142)	(26,142)	(86)	(26,228)	
Total transactions with owners for the financial year	1,460	-	(5,195)	(21,456)	(25,191)	(86)	(25,277)	
At 31 December 2020	153,339	452	1,996	181,741	337,528	17,437	354,965	
At 1 January 2019	149,401	1,036	8,015	350,884	509,336	19,327	528,663	
- Net loss for the financial year	-	-	-	(149,219)	(149,219)	(228)	(149,447)	
- Other comprehensive income/(loss)	-	2,253	-	(156)	2,097	235	2,332	
Total comprehensive income/(loss) for the financial year	-	2,253	-	(149,375)	(147,122)	7	(147,115)	
Transactions with owners								
Share options granted under Share Option Plan	-	-	466	-	466	-	466	
Shares granted under Long Term Incentive Plan	-	-	2,542	-	2,542	-	2,542	
Issuance of new shares - Long Term Incentive Plan	2,478	-	(2,478)	-	-	-	-	
Forfeiture of shares options under Share Option Plan	-	-	(1,354)	1,354	-	-	-	
Dividends	-	-	-	(27,371)	(27,371)	(259)	(27,630)	
Total transactions with owners for the financial year	2,478	-	(824)	(26,017)	(24,363)	(259)	(24,622)	
At 31 December 2019	151,879	3,289	7,191	175,492	337,851	19,075	356,926	

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 year ended 31 December 2020

	2020	2019
	RM'000	RM'000
Operating Activities		
Cash receipts from customers	2,706,052	2,894,967
Cash payments to suppliers and employees	(2,695,430)	(2,655,974)
Net cash generated from operations	10,622	238,993
Interest paid	(38,574)	(38,039)
Tax paid	(2,944)	(10,341)
Zakat paid	(2,522)	(2,240)
Interest received	633	1,392
Net cash (used in)/generated from operating activities	(32,785)	189,765
Investing Activities		
Purchase of property, plant and equipment	(9,253)	(20,376)
Purchase of intangible assets	(23,384)	(52,372)
Proceeds from disposal of property, plant and equipment	1	69
Increase in investment in deposits maturing more than three (3) months	-	(5)
Net cash used in investing activities	(32,636)	(72,684)
Financing Activities		
Dividends paid to:		
- owners of the Company	(26,142)	(40,396)
- non-controlling interests of a subsidiary	(86)	(259)
Net drawdown/(repayment) of borrowings	108,359	(81,378)
Payment of lease liabilities	(3,567)	(3,242)
Net cash generated from/(used in) financing activities	78,564	(125,275)
Net increase/(decrease) in cash and cash equivalents	13,143	(8,194)
Effects of exchange rate changes	(231)	318
Cash and cash equivalent at beginning of year	22,950	30,826
Cash and cash equivalent at end of year	35,862	22,950
Analysis of cash and cash equivalents:		
Cash and bank balances	22,562	17,454
Deposits with licensed banks	18,134	12,133
	40,696	29,587
Less: Deposits maturing more than three (3) months	(4,834)	(4,834)
Less: Bank overdraft	-	(1,803)
	35,862	22,950

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 year ended 31 December 2020 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 2019. 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 2019.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019, 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 2020.

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

On 1 January 2020, the Group applied the following new published standard and amendments to published standards:

- The Conceptual Framework for Financial Reporting (Revised 2018).
- Amendments to MFRS 101 "Presentation of Financial Statements" and Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates, and Errors".
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instruments: Disclosures".

The adoption of the above amendments to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

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

- i) Amendments to MFRS 16 "Leases" on 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

- ii) Annual Improvements to MFRS 9 "Financial Instruments" on 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- iii) Amendments to MFRS 3 "Business Combinations" on 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- iv) Amendments to MFRS 116 "Property, Plant and Equipment" on 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

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

A2. Significant Accounting Policies (Cont'd)

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

- v) Amendments to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" on 'Onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.
The amendments shall be applied retrospectively.
- vi) Amendments to MFRS 101 "Presentation of Financial Statements" on 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.
The amendments shall be applied retrospectively.
- vii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" – 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 2019 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2019 was unqualified.

A4. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the year under review.

A6. Change in Estimates

There were no material changes in estimates of amounts reported in the current financial year.

In previous year, the Group received a letter from the Ministry of Health ("MOH"), extending its services for the provision of medicines and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing 1 December 2019 to 31 December 2021 to allow MOH to make necessary preparations to undertake the service. In addition, the Group also secured a five (5) year contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending November 2024. Following the new contract arrangement, the Group revised the useful life of rights to supply and hence, the remaining unamortised rights to supply was fully recognised in previous year. The revision had been accounted for as a change in accounting estimate and as a result, the amortisation charged in previous financial year was RM247 million.

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 year other than the issuance of 476,000 ordinary shares for nil consideration pursuant to the Company's Long Term Incentive Plan on 29 June 2020.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

A8. Dividends

On 29 December 2020, the Company paid a third interim dividend of 1.5 sen (2019: Nil) per share in respect of the financial year ended 31 December 2020 amounting to RM3.9 million (2019: Nil).

On 6 October 2020, the Company paid a second interim dividend of 2.5 sen (2019: 2.5 sen) per share in respect of the financial year ended 31 December 2020 amounting to RM6.5 million (2019: RM6.5 million).

On 30 June 2020, the Company paid a first interim dividend of 6.0 sen (2019: 6.0 sen) per share in respect of the financial year ended 31 December 2020 amounting to RM15.7 million (2019: RM15.6 million).

For the fourth quarter, the Directors have declared a fourth interim dividend of 1.0 sen (2019: Nil) per share in respect of the financial year ended 31 December 2020. The dividend will be paid on 22 April 2021 to shareholders registered in the Register of Members at the close of business on 31 March 2021.

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

A9. Operating segments

Operating segments information for the year is as follows:

RM'000	Logistics and distribution	Manufacturing	Indonesia	Unallocated corporate expenses	Eliminations	Total
2020						
Revenue						
External revenue	1,913,133	2,161	809,777	-	-	2,725,071
Inter-segment revenue	-	250,492	-	-	(250,492)	-
Total revenue	1,913,133	252,653	809,777	-	(250,492)	2,725,071
Results						
Earnings before interest, taxation, depreciation and amortisation						
Depreciation and amortisation	62,040	30,232	14,724	(5,793)	-	101,203
Finance costs	(8,859)	(15,909)	(7,573)	-	-	(32,341)
Interest income	(16,433)	(4,641)	(14,604)	-	1,976	(33,702)
Profit/(Loss) before zakat and taxation	38,791	10,224	(7,429)	(5,793)	-	35,793
Zakat	(2,172)	(350)	-	-	-	(2,522)
Taxation	(9,398)	3,347	(951)	-	-	(7,002)
Net profit/(loss) for the financial year	27,221	13,221	(8,380)	(5,793)	-	26,269
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,913,133	252,653	809,777	-	(250,492)	2,725,071
- Over time	-	-	-	-	-	-
	1,913,133	252,653	809,777	-	(250,492)	2,725,071
2019						
Revenue						
External revenue	2,012,413	7,000	801,117	-	-	2,820,530
Inter-segment revenue	-	282,698	-	-	(282,698)	-
Total revenue	2,012,413	289,698	801,117	-	(282,698)	2,820,530
Results						
Earnings before interest, taxation, depreciation and amortisation						
Depreciation and amortisation	55,027	60,779	22,890	(8,102)	-	130,594
Finance costs	(256,800)	(19,651)	(7,142)	-	-	(283,593)
Interest income	(19,673)	(3,775)	(17,544)	-	734	(40,258)
(Loss)/Profit before zakat and taxation	(219,902)	37,908	(1,769)	(8,102)	-	(191,865)
Zakat	1,544	555	27	-	(734)	1,392
Net (loss)/profit for the financial year	(219,902)	37,908	(1,769)	(8,102)	-	(191,865)
Zakat	(1,890)	(350)	-	-	-	(2,240)
Taxation	48,419	(2,202)	(1,559)	-	-	44,658
Net (loss)/profit for the financial year	(173,373)	35,356	(3,328)	(8,102)	-	(149,447)
Timing of revenue recognition						
Goods or services transferred:						
- At a point in time	1,972,421	289,698	801,117	-	(282,698)	2,780,538
- Over time	39,992	-	-	-	-	39,992
	2,012,413	289,698	801,117	-	(282,698)	2,820,530

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					
	2020			2019		
	IDR'000	Exchange ratio	RM'000	IDR'000	Exchange ratio	RM'000
Revenue	2,789,691,367	0.0290	809,777	2,746,973,820	0.0292	801,117
Earnings before interest, taxation, depreciation and amortisation	50,724,355	0.0290	14,724	78,488,199	0.0292	22,890

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

There has been no revaluation of property, plant and equipment during the current financial year.

A11. Subsequent Event

There was no subsequent event as at 17 March 2021 that will materially affect the financial statements of the financial year under review.

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 2020 except for the transfer of 100% shares of Pharmaniaga Biomedical Sdn Bhd in Pharmaniaga Logistics Sdn Bhd, a 100% owned subsidiary of Pharmaniaga Berhad, to Pharmaniaga Berhad.

A13. Contingent Liabilities

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

A14. Commitments

The Group has the following commitments as at 31 December 2020:

	Authorised and contracted for RM'000	Authorised but not contracted for RM'000	Total RM'000
Property, plant and equipment	3,141	120,607	123,748

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 2019.

A16. Intangible Assets

RM'000	Goodwill	Software	Capitalised development cost of work-in- progress	Manufacturing licence and trade name	Rights to supply	Rights to sell	Intellectual property	Total
Cost								
At 1 January 2020	145,436	23,682	38,604	21,041	342,865	-	3,071	574,699
Additions	-	-	14,723	-	-	-	-	14,723
Reclassification	-	-	(4,832)	-	-	4,832	-	-
Transfer from property, plant and equipment	-	-	754	-	-	-	-	754
Written off	-	-	(4,811)	-	-	-	-	(4,811)
Foreign exchange adjustments	(1,678)	(4,340)	(86)	(620)	-	-	-	(6,724)
At 31 December 2020	143,758	19,342	44,352	20,421	342,865	4,832	3,071	578,641
Accumulated amortisation								
At 1 January 2020	-	6,516	352	11,373	342,865	-	598	361,704
Amortisation charged	-	1,378	201	2,165	-	-	206	3,950
Foreign exchange adjustments	-	(4,343)	-	(360)	-	-	-	(4,703)
At 31 December 2020	-	3,551	553	13,178	342,865	-	804	360,951
Accumulated impairment								
At 1 January/ 31 December 2020	12,653	-	-	-	-	-	-	12,653
Net carrying value								
At 31 December 2020	131,105	15,791	43,799	7,243	-	4,832	2,267	205,037
At 31 December 2019	132,783	17,166	38,252	9,668	-	-	2,473	200,342

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

B17. Performance Review

	Current Period			Cumulative Period		
	2020 RM'000	2019 RM'000	+ /(-) %	2020 RM'000	2019 RM'000	+ /(-) %
Revenue	634,583	715,683	-11.3%	2,725,071	2,820,530	-3.4%
Earnings before interest, taxation, depreciation and amortisation	250	6,143	-95.9%	101,203	130,594	-22.5%
(Loss)/Profit before interest, zakat and taxation	(8,810)	(229,810)	96.2%	68,862	(152,999)	145.0%
(Loss)/Profit before zakat and taxation	(13,506)	(238,474)	94.3%	35,793	(191,865)	118.7%
(Loss)/Profit for the financial period/year	(7,047)	(178,733)	96.1%	26,269	(149,447)	117.6%
(Loss)/Profit attributable to owners of the parent	(6,331)	(178,598)	96.5%	27,489	(149,219)	118.4%

Quarter 4 2020 vs Quarter 4 2019

For the fourth quarter ended 31 December 2020, the Group recorded a revenue of RM635 million compared with RM716 million in the previous year's corresponding quarter. As such, the Group registered lower earnings before interest, taxation, depreciation and amortisation (EBITDA) of RM0.3 million. This was mainly attributable to reduced demand from the concession business due to the ongoing Covid-19 pandemic. The Group posted a lower loss before zakat and taxation of RM14 million. This is an improvement from the deficit of RM238 million in the same quarter last year which was mainly due to the remaining unamortised Pharmacy Information System (PhIS) costs amounting to RM247 million in 2019.

Year ended 31 December 2020 vs Year ended 31 December 2019

For the financial year ended 31 December 2020, the Group delivered a lower revenue of RM2.7 billion compared with RM2.8 billion. This was mainly attributable to reduced demand from the concession business as a result of the reduced number of people going to hospitals amid the ongoing Covid-19 pandemic. Accordingly, the Group recorded a lower EBITDA of RM101 million, a decrease of 22.5% compared with 2019.

The Group delivered a higher PBT and PAT of RM36 million and RM26 million respectively, compared with an LBT and LAT of RM192 million and RM149 million respectively in 2019, as a result of the full recognition of the remaining unamortised PhIS costs.

The **Logistics and Distribution Division** recorded a higher PBT of RM39 million for the financial year, compared with the deficit of RM220 million in 2019 which was primarily due to full recognition of the remaining unamortised PhIS costs. The Group continued to uphold the trust accorded by MOH to handle logistics and distribution services to deliver much-needed medical supplies to healthcare facilities during the pandemic. This included ventilators, personal protective equipment as well as medicines which were efficiently delivered across the nation, including to East Malaysia via air freight.

The **Manufacturing Division** turned in a PBT of RM10 million on the back of a revenue of RM253 million for the fiscal year, despite the impact of the pandemic on public and private sector demand coupled with order trends from both Government and private hospitals. The Group remains optimistic on long-term prospects for the Division by optimising operational efficiencies, building on its growing portfolio of products and expanding its global presence, as well as tapping on increased capacity utilisation via its contract manufacturing business.

The **Indonesia Division** registered a deficit of RM7 million for the financial year. This was primarily due to higher operating expenses during the pandemic. Indonesia's large-scale social restrictions, Pembatasan Sosial Berskala Besar, in response to the COVID-19 pandemic, also resulted in limited access to doctors, clinics, pharmacies and hospitals, further impacting our performance.

Consolidated Statement of Financial Position

As at 31 December 2020, the higher receivables was a result of pending collection on reimbursement cost of personal protective equipment from customer.

Consolidated Statement of Cash Flows

For the year under review, the lower operating cash flow was the result of advance payment made to suppliers to purchase personal protective equipment during the COVID-19 pandemic. There is a timing difference in terms of collection from customers.

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

	Current Period	Immediate Preceding Period	+ /(-) %
	2020 RM'000	2020 RM'000	
Revenue	634,583	624,804	1.6%
Earnings before interest, taxation, depreciation and amortisation	250	21,372	-98.8%
(Loss)/Profit before interest, zakat and taxation	(8,810)	14,135	-162.3%
(Loss)/Profit before zakat and taxation	(13,506)	4,093	-430.0%
(Loss)/Profit for the financial period	(7,047)	1,294	-644.6%
(Loss)/Profit attributable to owners of the parent	(6,331)	1,442	-539.0%

In comparison with the immediate preceding quarter, the Group recorded a higher revenue of RM635 million for the current quarter. This was primarily due to stronger demand from both the concession and Indonesia businesses. However, due to higher operating expenses as a result of urgent delivery required during the COVID-19 pandemic, the Group recorded a LBT of RM14 million, compared with a PBT of RM4 million in the immediate preceding quarter.

Accordingly, LAT for the quarter under review stood at RM7 million, compared with a PAT of RM1 million in the immediate preceding quarter.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**B19. Prospects**

Moving forward, as the nation continues to face the fourth wave of the pandemic, Pharmaniaga remains firmly committed to meeting the healthcare requirements of the *Rakyat*. As a result of its manufacturing expertise, the Group was honoured to be selected by the Government for the fill and finish process for the COVID-19 vaccine. In line with this, the refurbishment of its small volume injectable plant was completed in December 2020 and the facility is well-prepared and well-equipped to undertake the fill and finish for Covid-19 vaccine.

Subsequent to this, the Group entered into a Term Sheet Agreement to supply the Ministry of Health with 12 million doses of the COVID-19 vaccine. Reflecting its proven logistics and distribution capabilities, the Group has in place the requisite infrastructure and network to ensure efficient and effective distribution of the vaccine. With the fill and finish process set to commence in March 2021, the vaccine will be distributed to hospitals, clinics and healthcare facilities nationwide as instructed by the Government.

In support of the Government's vaccination programme, it is also part of Pharmaniaga's strategic plans to strengthen its vaccine business and creating an additional stream of income for the Group. In line with this, a Memorandum of Understanding was inked with a leading Indian biotechnology company, the Serum Institute of India Private Limited for the pneumococcal vaccine.

In contributing to its performance for the year ahead, the Group's contract with MOH for the provision of medicines and medical supplies continues until November 2024. The Group will continue to enhance efficiencies across its operations and expand its product pipeline via research and development. With fortified strategies in place, long-term prospects remain positive for Pharmaniaga.

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Taxation based on profit for the year:				
- Current	2,167	(1,918)	11,685	6,906
- Deferred	(9,862)	(56,690)	(3,366)	(50,561)
	(7,695)	(58,608)	8,319	(43,655)
(Over)/Under provision in prior years:				
- Current	(173)	(1,017)	(357)	(1,358)
- Deferred	-	70	(960)	355
	(173)	(947)	(1,317)	(1,003)
	(7,868)	(59,555)	7,002	(44,658)

The Group's effective tax rate is lower than the statutory tax rate of 24% principally due to over provision of deferred tax liability in prior year.

B22. Corporate Proposal

The disclosure requirements for corporate proposal is not applicable.

B23. Borrowings and Debt Securities - Unsecured

	31 December 2020 RM'000	31 December 2019 RM'000	
Non-current:			
Hire purchase:			
- Denominated in Ringgit Malaysia	155	187	
- Denominated in Indonesian Rupiah	182	129	
	337	316	
Current:			
Bankers' acceptances:			
- Denominated in Ringgit Malaysia	315,396	254,134	
- Denominated in Indonesian Rupiah	123,441	158,679	
Revolving credits	230,000	150,000	
Hire purchase:			
- Denominated in Ringgit Malaysia	289	219	
- Denominated in Indonesian Rupiah	146	146	
Bank overdraft - denominated in Indonesian Rupiah	-	1,803	
	669,272	564,981	
The amount of borrowings denominated in Indonesian Rupiah	IDR'000	432,758,741	544,938,983
Exchange rate for Indonesian Rupiah	RM	0.0286	0.0295

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

As at 31 December 2020, the increased borrowings are primarily due to advance payment made to suppliers to purchase personal protective equipment during the COVID-19 pandemic coupled with reduced collections from customers.

As at 31 December 2020, the weighted average floating interest rate of borrowings is 3.8% (2019: 5.9%) per annum.

For borrowings denominated in foreign currency, there is no hedging as the amounts are due within 12 months.

B24. Additional Disclosures

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

	Current Period		Cumulative Period	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation and amortisation	9,060	235,953	32,341	283,593
Net impairment of and write off of receivables	1,642	115	2,421	(6,747)
Net provision for stock obsolescence and write off of inventories	9,444	13,332	19,249	19,363
Net foreign exchange losses	880	276	1,027	457

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 year ended 31 December 2020.

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)/Earnings Per Share ("EPS")

(a) Basic (loss)/earnings per share

	Current Period		Cumulative Period	
	2020	2019	2020	2019
(Loss)/Profit attributable to owners of the Company (RM'000)	(6,331)	(178,598)	27,489	(149,219)
Average number of ordinary shares in issue ('000)	261,472	260,910	261,472	260,910
Basic (loss)/earnings per share (sen)	(2.42)	(68.45)	10.51	(57.19)

(b) Diluted (loss)/earnings per share

(Loss)/Profit attributable to owners of the Company (RM'000)	(6,331)	(178,598)	27,489	(149,219)
Average number of ordinary shares in issue ('000)	261,472	260,910	261,472	260,910
Assumed shares issued under Long Term Incentive Plan ('000)	346	916	346	916
Weighted average number of ordinary shares in issue ('000)	261,818	261,826	261,818	261,826
Diluted (loss)/earnings per share (sen)	(2.42)	(68.21)	10.50	(56.99)

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 17 March 2021.

By Order of the Board

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

Kuala Lumpur
17 March 2021