

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	Note	3 MONTHS ENDED		PERIOD ENDED	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
		RM'000	RM'000	RM'000	RM'000
Revenue		159,270	155,946	337,499	324,346
Cost of sales		(122,743)	(116,431)	(261,491)	(244,704)
Gross profit		36,527	39,515	76,008	79,642
Other income		1,867	1,530	3,452	3,161
Selling & marketing expenses		(17,664)	(18,000)	(37,344)	(37,795)
Administrative expenses		(7,336)	(6,510)	(14,191)	(12,957)
Other expenses		(156)	(671)	(621)	(1,296)
Finance cost		(374)	-	(697)	-
Share of results of an associate		3,319	1,504	4,119	3,139
Profit before tax	A7	16,183	17,368	30,726	33,894
Income tax expense	B6	(2,953)	(3,667)	(6,082)	(6,972)
Net profit for the period		13,230	13,701	24,644	26,922
Other comprehensive income:					
Exchange differences on translation of foreign operations, net of tax		(55)	(2,677)	216	(2,712)
Total comprehensive income for the period		13,175	11,024	24,860	24,210
Net profit attributable to:					
Owners of the parent		13,224	13,699	24,623	26,880
Non-controlling interest		6	2	21	42
Net profit for the period		13,230	13,701	24,644	26,922
Total comprehensive income attributable to:					
Owners of the parent		13,169	11,022	24,839	24,168
Non-controlling interest		6	2	21	42
Total comprehensive income for the period		13,175	11,024	24,860	24,210
Earnings per share attributable to owners of the parent:		Sen	Sen	Sen	Sen
- Basic	B11	2.81	2.92	5.23	5.74
- Diluted	B11	2.79	2.91	5.20	5.71

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

	Note	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	A12	169,835	177,211
Investment properties		10,688	9,809
Intangible assets		1,597	1,777
Right of use assets		1,545	-
Investment in an associate		21,937	17,818
Deferred tax assets		905	537
Receivables		1,717	3,774
		<u>208,224</u>	<u>210,926</u>
Current Assets			
Inventories		90,059	83,106
Receivables		158,505	160,422
Prepayments		530	513
Tax recoverable		3,793	3,784
Derivative financial instruments	A15 & B12	59	61
Deposits, bank and cash balances		104,928	81,153
		<u>357,874</u>	<u>329,039</u>
TOTAL ASSETS		<u>566,098</u>	<u>539,965</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Payables		126,291	117,652
Borrowings	B8	5,857	5,857
Lease liabilities		550	-
Current tax payable		1,777	1,527
		<u>134,475</u>	<u>125,036</u>
Non-Current Liabilities			
Borrowings	B8	21,214	24,036
Lease liabilities		1,017	-
Deferred tax liabilities		5,083	4,432
		<u>27,314</u>	<u>28,468</u>
TOTAL LIABILITIES		<u>161,789</u>	<u>153,504</u>
NET ASSETS		<u>404,309</u>	<u>386,461</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		119,782	118,806
Reserves		11,845	11,395
Retained earnings		272,194	255,793
		<u>403,821</u>	<u>385,994</u>
Non-controlling interest		488	467
TOTAL EQUITY		<u>404,309</u>	<u>386,461</u>
		RM	RM
Net Assets per share attributable to owners of the parent		0.86	* 0.82

*For comparative purposes, the Net Assets per share for the corresponding year to date ended 31 December 2018 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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	Note	← Non-Distributable →			Distributable	Equity attributable to owners of the parent, total	Non-controlling Interest	Total Equity
		Share Capital	Foreign currency translation reserve	Share option reserve	Retained Earnings	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
PERIOD ENDED 30 JUNE 2019								
Balance at 1 January 2019		118,806	10,380	1,015	255,793	385,994	467	386,461
Total comprehensive income		-	216	-	24,623	24,839	21	24,860
Share options granted		-	-	442	-	442	-	442
Share options lapsed		-	-	(22)	22	-	-	-
Transfer to share capital for share options exercised		186	-	(186)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(8,244)	(8,244)	-	(8,244)
Issuance of ordinary share pursuant to ESOS		790	-	-	-	790	-	790
Total transaction with owners		790	-	-	(8,244)	(7,454)	-	(7,454)
Balance as at 30 June 2019		119,782	10,596	1,249	272,194	403,821	488	404,309
PERIOD ENDED 30 JUNE 2018								
Balance at 1 January 2018		117,146	13,147	509	212,432	343,234	421	343,655
Total comprehensive income		-	(2,712)	-	26,880	24,168	42	24,210
Share options granted		-	-	427	-	427	-	427
Share options lapsed		-	-	(4)	23	19	-	19
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(7,615)	(7,615)	-	(7,615)
Total transaction with owners		-	-	-	(7,615)	(7,615)	-	(7,615)
Balance as at 30 June 2018		117,146	10,435	932	231,720	360,233	463	360,696

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

	PERIOD ENDED	
	30/06/2019	30/06/2018
	RM'000	RM'000
Operating activities		
Profit before tax	30,726	33,894
Adjustments for:		
Depreciation and amortisation	7,215	4,438
Net profit on disposal of property, plant and equipment	(362)	-
Property, plant and equipment written off	55	-
Share of results of an associate	(4,119)	(3,139)
Fair value changes of derivative financial instruments	1	(53)
Share options granted	443	446
Depreciation of rights to use assets	231	-
Lease interest expense	75	-
Inventories written off	114	138
Impairment loss on trade receivables net of reversals	318	250
Interest expense	622	-
Interest income	(1,110)	(911)
Operating cash flows before changes in working capital	34,209	35,063
Inventories	(7,067)	(9,202)
Receivables	3,639	(4,141)
Payables	8,639	3,502
Cash generated from operations	39,420	25,222
Tax paid	(5,557)	(5,260)
Net cash flows generated from operating activities	33,863	19,962
Investing activities		
Purchase of property, plant and equipment & intangible assets	(7,424)	(21,791)
Proceeds from disposal of property, plant and equipment	367	-
Withdrawal in short term deposit	918	2,222
Interest received	1,110	911
Net cash flows used in investing activities	(5,029)	(18,658)
Financing activities		
Finance lease repaid	-	(2)
Proceed from issuance of shares under ESOS	790	-
Repayment of term loans	(2,822)	-
Dividends paid	(8,244)	(7,614)
Government grant received	6,771	-
Interest paid	(622)	-
Payment of lease liabilities	(285)	-
Net cash flows used in financing activities	(4,412)	(7,616)
Net increase/(decrease) in cash and cash equivalents	24,422	(6,312)
Cash and cash equivalents at 1 January	64,247	74,908
Effect of exchange rate changes on cash and cash equivalents	271	(1,423)
Cash and cash equivalents at the end of the financial period	88,940	67,173

Included in the deposits, bank and cash balances was RM 15,988,000 (30 June 2018 : RM 3,667,000) placed with money market fund held for investment purposes and does 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.

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2019

A1 Basis of preparation

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2019 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 2018.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the certain financial assets and liabilities classified as financial assets and liabilities at fair value through profit or loss 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 2018 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 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

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 except as discussed below:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group has applied modified retrospective approach with no comparatives restated. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average borrowing rate of 11%. The right of use asset were measured at the amount equal to the lease liability resulting in an increase in both the Group's assets and liabilities of RM 1,776,000 as at 1 January 2019.

A3 Seasonality or cyclical of interim operations

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

(THE FIGURES HAVE NOT BEEN AUDITED)

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2019 (continued)

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 2019.

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 prior financial year.

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

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 2019 except for the issuance of 353,343,279 new ordinary shares on the basis of 3 bonus shares for every 1 existing share in June 2019.

A7 Profit before tax

Included in profit before tax are the following items:

	3 MONTHS ENDED		PERIOD ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Interest income	645	523	1,110	911
Other income including investment income	960	694	1,703	1,434
Interest expense	(299)	-	(622)	-
Depreciation and amortisation	(3,730)	(2,241)	(7,215)	(4,438)
Impairment loss on trade receivables net of reversals	(318)	(234)	(318)	(250)
Inventories written off	(54)	(23)	(114)	(138)
Net profit on disposal of property, plant and equipment	86	-	362	-
Fair value loss/(gain) of derivative financial instruments	59	131	(1)	53
Foreign exchange gain/(loss)	193	(205)	60	(17)

A8 Dividends paid and declared

The amount of dividends paid/payable during the current and previous years are as follows:

	30/06/2019	30/06/2018
In respect of the financial year ended 30 June	RM'000	RM'000
2019: Final single-tier dividend comprising 7.0 sen single tier per share paid on 14-June-19	8,244	-
2018: Final single-tier dividend comprising 6.5 sen share paid on 14-June-18	-	7,615
	8,244	7,615

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 and marketing of pharmaceutical products ("M&M");
- (ii) Wholesale and distribution of pharmaceutical and healthcare products("W&D"); and
- (iii) Corporate comprising investments in retail pharmacy business and properties and the provision of management services ("CORP").

OPERATING SEGMENTS

	M&M	W&D	CORP	Adjustments	GROUP
	RM'000	RM'000	RM'000	RM'000	RM'000
PERIOD ENDED 30/06/2019					
External Revenue	23,504	309,775	4,220	-	337,499
Inter-segment revenue	55,190	421	6,253	(61,864)	-
Total Revenue	78,694	310,196	10,473	(61,864)	337,499
Segment Results	17,030	14,051	1,321	(979)	31,423
Finance costs					(697)
Profit before tax					30,726
PERIOD ENDED 30/06/2018					
External Revenue	23,246	296,881	4,219	-	324,346
Inter-segment revenue	56,111	3,468	6,054	(65,633)	-
Total Revenue	79,357	300,349	10,273	(65,633)	324,346
Segment Results	24,303	10,886	152	(1,447)	33,894
Finance costs					-
Profit before tax					33,894

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 JUNE 2019 (continued)

A9 Segment Information (continued)

OPERATING SEGMENTS

	M&M RM'000	W&D RM'000	CORP RM'000	Adjustments RM'000	GROUP RM'000
Segment assets					
30-Jun-2019	203,163	303,212	65,204	(5,481)	566,098
31-Dec-2018	199,303	284,884	62,020	(6,242)	539,965
Segment liabilities					
30-Jun-2019	(55,466)	(93,751)	(5,712)	(6,860)	(161,789)
31-Dec-2018	(62,236)	(80,021)	(5,288)	(5,959)	(153,504)

A10 Significant Events After the Reporting Date

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

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 period ended 30 June 2019.

A12 Property, plant and equipment

During the current quarter ended 30 June 2019, prepaid capital expenditure paid by the Group was RM 4.6 million (30 June 2018: RM 13.7 million).

Assets with carrying amount of RM 5,000 were disposed of by the Group during the current quarter ended 30 June 2019, resulting in a net gain on disposal of RM 362,000 recognised and included in other income in the statement of comprehensive income. There was no disposal of assets and/or assets written off during the corresponding quarter ended 30 June 2018.

A13 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 30 June 2019 are as follows:

	RM'000
Authorised capital expenditure approved and contracted for	9,290
Authorised capital expenditure approved but not contracted for	12,125
	21,415

A14 Related Party Transactions

The Group does not have any significant transactions with related parties during the period ended 30 June 2019 in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2018.

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 liabilities:	30/06/2019	31/12/2018
	RM'000	RM'000
	(Level 2)	
Derivatives - Forward currency contracts	59	61

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 the financial year ended 2018.

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.

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 Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	30/06/2019	30/06/2018		30/06/2019	30/06/2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	159,270	155,946	2.1%	337,499	324,346	4.1%
Operating Profit	13,238	15,864	-16.6%	27,304	30,755	-11.2%
Profit Before Interest and Tax	16,557	17,368	-4.7%	31,423	33,894	-7.3%
Profit Before Tax	16,183	17,368	-6.8%	30,726	33,894	-9.3%
Profit After Tax	13,230	13,701	-3.4%	24,644	26,922	-8.5%
Profit Attributable to Ordinary Equity Holders of the Parent	13,224	13,699	-3.5%	24,623	26,880	-8.4%

Review of Current Quarter Performance versus Corresponding Quarter Last Year

In the second quarter of 2019, the Group achieved revenue of RM 159.3 million, 2.1% better than the RM 155.9 million reported for the second quarter of 2018. Revenue growth is supported by consistent contributions from private sector sale of Group branded pharmaceutical products and the distribution of pharmaceutical and consumer healthcare agencies. Group profit before tax for the second quarter reached RM 16.2 million, 6.8% lower than the RM 17.4 million achieved in the corresponding period in 2018. This is attributed mainly to increased operating and finance costs with the startup of SPP NOVO, which received regulatory approval for commercial production on 16th May 2019. Profit after tax for the quarter is RM 13.2 million, 3.4% lower than the same period in the previous year, as recognition of the Group's share of after-tax profit from associated company Straits Apex Sdn Bhd rose to RM 3.3 million due to improved sales.

Review of Year To Date Performance versus Corresponding Period Last Year

For the first six months of 2019, the Group achieved revenue of RM 337.5 million, a growth of 4.1% when compared to the RM 324.3 million in the same period in 2018. Revenue growth is supported by consistent contributions from private sector sale of Group branded pharmaceutical products and the distribution of pharmaceutical and consumer healthcare agencies. Group operating expenses are in line with expectations. Finance costs is RM 0.7 million for the half year compared to Nil for the corresponding period because of loans drawn down for SPP NOVO. Share of results from associated company is RM 4.1 million, 31.2% higher than the RM 3.1 million recognized in 2018 for the same period. Group profit before tax for the first half year is RM 30.7 million, 9.3% lower than the RM 33.9 million achieved in the corresponding period in 2018 due to higher operating and finance costs with the startup of SPP NOVO.

B2 Material changes in the profit before tax for the quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/2019	31/03/2019	RM'000	(%)
	RM'000	RM'000	RM'000	(%)
Revenue	159,270	178,229	(18,959)	-10.6%
Operating Profit	13,238	14,066	(828)	-5.9%
Profit Before Interest and Tax	16,557	14,866	1,691	11.4%
Profit Before Tax	16,183	14,543	1,640	11.3%
Profit After Tax	13,230	11,414	1,816	15.9%
Profit Attributable to Ordinary Equity Holders of the Parent	13,224	11,399	1,825	16.0%

Profit before tax for the current quarter is RM 16.2 million, 11.3% higher than the RM 14.5 million reported for the first quarter of 2019. This is due to improved margins arising from a better sales mix as well as an increased profit contribution from associated company Straits Apex Sdn Bhd.

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

B3 Commentary

a Prospects

The Group's core businesses continue to perform consistently into the second quarter of 2019, driven by the Group's commitment to sales growth, new product development, brand management, customer service and operational efficiency. Emphasis is placed on developing sales that will increase capacity utilization of the Group's newly operationalized production plant for solid pharmaceutical dosages, SPP NOVO.

With uncertain global economic prospects, foreign exchange volatility and higher operating expenses from the start-up of SPP NOVO, 2019 continues to be challenging. Further unforeseen circumstances aside, the Board expects the Group's fundamentals to support a satisfactory performance in 2019.

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

In respect of current period:

	3 MONTHS ENDED		PERIOD ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Income tax	2,353	3,319	5,095	7,147
Deferred tax	278	(112)	283	(1,031)
Foreign tax	322	460	704	856
	<u>2,953</u>	<u>3,667</u>	<u>6,082</u>	<u>6,972</u>

Income tax
Deferred tax
Foreign tax

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

B7 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 14 August 2019.

B8 Group Borrowings and Debt Securities

	As at 30/06/2019					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
Secured bank loans	-	21,214	-	5,857	-	27,071

	As at 31/12/2018					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
Secured bank loans	-	24,036	-	5,853	-	29,889
Finance lease	-	-	1	-	1	-

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

(THE FIGURES HAVE NOT BEEN AUDITED)

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

B8 Group Borrowings and Debt Securities (continued)

[^] The finance lease was denominated in SGD at exchange rate of SGD 1: RM 3.00 (31 December 2018: SGD 1: RM 3.00), equivalent to Nil (31 December 2018: RM 4,000). There was no hedging for this SGD denominated finance lease which was a hire purchase of equipment used for the operations of a subsidiary in Singapore.

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 are 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 2018.

B9 Material Litigation

There is 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 1.7 sen per share in respect of the financial year ending 31 December 2019, resulting in a total dividend to-date for the current financial year of 1.7 sen per share based on the enlarged 471 million number of ordinary shares post bonus issue. (Year 2018: Interim single-tier dividend of 6.5 sen per share).
- b The interim dividend will be paid on 30 September 2019 and the entitlement date is 12 September 2019.

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	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
<u>Basic Earnings per share</u>					
Profit after tax	RM'000	13,224	13,699	24,623	26,880
Weighted average number of ordinary shares in issue as presented prior to bonus issue	'000	117,733	117,146	117,733	117,146
Effect of bonus issue	'000	353,343	351,438	353,343	351,438
	'000	471,076	468,584	471,076	468,584
Basic earnings per share	sen	2.81	2.92	5.23	5.74
<u>Diluted Earnings per share</u>					
Profit after tax	RM'000	13,224	13,699	24,623	26,880
Weighted average number of ordinary shares in issue	'000	471,076	468,584	471,076	468,584
Effect of dilution-Share options	'000	2,237	1,848	2,237	1,848
Adjusted weighted average number of ordinary shares in issue	'000	473,313	470,432	473,313	470,432
Diluted earnings per share	sen	2.79	2.91	5.20	5.71

Pursuant to MFRS 133 Earnings Per Share, the Earnings Per Share for the corresponding quarter and year to date ended 30 June 2018 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 in 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, payables and capital expenditure.

Type of Derivatives	Contract/ Notional Value	Fair Value
	30/06/2019 RM'000	30/06/2019 RM'000
i) Forward Foreign Currency Contract entered into for the export sales to Singapore - Less than 1 year	6,594	55
ii) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers - Less than 1 year	(1,054)	4
	5,540	59

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

B12 Derivative Financial Instruments (continued)

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 is a 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 5,540,000.

B13 Fair Value Changes of Financial Liabilities

As at 30 June 2019, the Group does not have any significant financial liabilities measured at fair value through profit or loss 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 2018 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 21 August 2019.