

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

| | Note | 3 MONTHS ENDED | | PERIOD ENDED | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 30/09/2019 RM'000 | 30/09/2018 RM'000 | 30/09/2019 RM'000 | 30/09/2018 RM'000 |
| Revenue | | 180,653 | 165,253 | 518,152 | 489,599 |
| Cost of sales | | (140,735) | (124,904) | (402,226) | (369,608) |
| Gross profit | | 39,918 | 40,349 | 115,926 | 119,991 |
| Other income | | 1,281 | 1,382 | 4,733 | 4,543 |
| Selling & marketing expenses | | (18,459) | (17,218) | (55,803) | (55,013) |
| Administrative expenses | | (6,985) | (7,532) | (21,176) | (20,489) |
| Other expenses | | (199) | (605) | (820) | (1,901) |
| Finance cost | | (338) | - | (1,035) | - |
| Share of results of an associate | | 1,906 | 2,261 | 6,025 | 5,400 |
| Profit before tax | A7 | 17,124 | 18,637 | 47,850 | 52,531 |
| Income tax expense | B6 | (3,002) | (3,695) | (9,084) | (10,667) |
| Net profit for the period | | 14,122 | 14,942 | 38,766 | 41,864 |
| Other comprehensive income: | | | | | |
| Exchange differences on translation of foreign operations, net of tax | | (27) | (28) | 189 | (2,740) |
| Total comprehensive income for the period | | 14,095 | 14,914 | 38,955 | 39,124 |
| Net profit attributable to: | | | | | |
| Owners of the parent | | 14,123 | 14,897 | 38,746 | 41,777 |
| Non-controlling interest | | (1) | 45 | 20 | 87 |
| Net profit for the period | | 14,122 | 14,942 | 38,766 | 41,864 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 14,096 | 14,869 | 38,935 | 39,037 |
| Non-controlling interest | | (1) | 45 | 20 | 87 |
| Total comprehensive income for the period | | 14,095 | 14,914 | 38,955 | 39,124 |
| Earnings per share attributable to owners of the parent: | | | | | |
| - Basic | B11 | 3.00 | 3.17 | 8.22 | 8.89 |
| - Diluted | B11 | 2.98 | 3.15 | 8.19 | 8.84 |

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 30/09/2019 RM'000 | As at 31/12/2018 RM'000 <u>(Audited)</u> |
|--|-----------|-------------------------------|---|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | A12 | 169,504 | 177,211 |
| Investment properties | | 10,671 | 9,809 |
| Intangible assets | | 1,510 | 1,777 |
| Right of use assets | | 1,516 | - |
| Investment in an associate | | 23,843 | 17,818 |
| Deferred tax assets | | 1,158 | 537 |
| Receivables | | 37 | 3,774 |
| | | <u>208,239</u> | <u>210,926</u> |
| Current Assets | | | |
| Inventories | | 89,147 | 83,106 |
| Receivables | | 166,213 | 160,422 |
| Prepayments | | 615 | 513 |
| Tax recoverable | | 4,310 | 3,784 |
| Derivative financial instruments | A15 & B12 | 5 | 61 |
| Deposits, bank and cash balances | | 108,953 | 81,153 |
| | | <u>369,243</u> | <u>329,039</u> |
| TOTAL ASSETS | | <u>577,482</u> | <u>539,965</u> |
| EQUITY AND LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | | 131,310 | 117,652 |
| Borrowings | B8 | 5,857 | 5,857 |
| Lease liabilities | | 575 | - |
| Derivative financial instruments | A15 & B12 | 5 | - |
| Current tax payable | | 1,969 | 1,527 |
| | | <u>139,716</u> | <u>125,036</u> |
| Non-Current Liabilities | | | |
| Borrowings | B8 | 19,750 | 24,036 |
| Lease liabilities | | 988 | - |
| Deferred tax liabilities | | 5,893 | 4,432 |
| | | <u>26,631</u> | <u>28,468</u> |
| TOTAL LIABILITIES | | <u>166,347</u> | <u>153,504</u> |
| NET ASSETS | | <u>411,135</u> | <u>386,461</u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 120,491 | 118,806 |
| Reserves | | 11,880 | 11,395 |
| Retained earnings | | 278,301 | 255,793 |
| | | <u>410,672</u> | <u>385,994</u> |
| Non-controlling interest | | 463 | 467 |
| TOTAL EQUITY | | <u>411,135</u> | <u>386,461</u> |
| | | RM | RM |
| Net Assets per share attributable to owners of the parent | | 0.87 | * 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 SEPTEMBER 2019

| | Note | ← Non-Distributable → | | Distributable | Equity | Non-controlling Interest | Total Equity | |
|---|------|-----------------------|--------------------------------------|----------------------|-------------------|--------------------------|--------------|---|
| | | Share Capital | Foreign currency translation reserve | Share option reserve | Retained Earnings | | | attributable to owners of the parent, total |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| PERIOD ENDED 30 SEPTEMBER 2019 | | | | | | | | |
| Balance at 1 January 2019 | | 118,806 | 10,380 | 1,015 | 255,793 | 385,994 | 467 | 386,461 |
| Total comprehensive income | | - | 189 | - | 38,746 | 38,935 | 20 | 38,955 |
| Share options granted | | - | - | 648 | - | 648 | - | 648 |
| Share options lapsed | | - | - | (25) | 25 | - | - | - |
| Transfer to share capital for share options exercised | | 327 | - | (327) | - | - | - | - |
| Transaction with owners | | | | | | | | |
| Dividends on ordinary shares | A8 | - | - | - | (16,263) | (16,263) | - | (16,263) |
| Issuance of ordinary share pursuant to ESOS | | 1,358 | - | - | - | 1,358 | - | 1,358 |
| Total transaction with owners | | 1,358 | - | - | (16,263) | (14,905) | - | (14,905) |
| Dividend by a subsidiary to non-controlling interest | | - | - | - | - | - | (24) | (24) |
| Balance as at 30 September 2019 | | 120,491 | 10,569 | 1,311 | 278,301 | 410,672 | 463 | 411,135 |
| PERIOD ENDED 30 SEPTEMBER 2018 | | | | | | | | |
| Balance at 1 January 2018 | | 117,146 | 13,147 | 509 | 212,432 | 343,234 | 421 | 343,655 |
| Total comprehensive income | | - | (2,740) | - | 41,777 | 39,037 | 87 | 39,124 |
| Share options granted | | - | - | 668 | - | 668 | - | 668 |
| Share options lapsed | | - | - | (29) | 29 | - | - | - |
| Transfer to share capital for share options exercised | | 225 | - | (225) | - | - | - | - |
| Transaction with owners | | | | | | | | |
| Dividends on ordinary shares | A8 | - | - | - | (15,247) | (15,247) | - | (15,247) |
| Issuance of ordinary share pursuant to ESOS | | 958 | - | - | - | 958 | - | 958 |
| Total transaction with owners | | 958 | - | - | (15,247) | (14,289) | - | (14,289) |
| Balance as at 30 September 2018 | | 118,329 | 10,407 | 923 | 238,991 | 368,650 | 508 | 369,158 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| | PERIOD ENDED | |
|---|-----------------|-----------------|
| | 30/09/2019 | 30/09/2018 |
| | RM'000 | RM'000 |
| Operating activities | | |
| Profit before tax | 47,850 | 52,531 |
| Adjustments for: | | |
| Depreciation and amortisation | 11,061 | 6,701 |
| Net profit on disposal of property, plant and equipment | (369) | (71) |
| Property, plant and equipment written off | 56 | 2 |
| Share of results of an associate | (6,025) | (5,400) |
| Fair value changes of derivative financial instruments | 61 | (155) |
| Share options granted | 648 | 668 |
| Depreciation of rights to use assets | 358 | - |
| Lease interest expense | 130 | - |
| Inventories written off | 1,133 | 173 |
| Impairment loss on trade receivables net of reversals | 1,078 | 519 |
| Interest expense | 901 | - |
| Interest income | (1,609) | (1,278) |
| Operating cash flows before changes in working capital | 55,273 | 53,690 |
| Inventories | (7,174) | (14,554) |
| Receivables | (3,233) | (12,809) |
| Payables | 13,663 | 17,817 |
| Cash generated from operations | 58,529 | 44,144 |
| Tax paid | (8,328) | (9,913) |
| Net cash flows generated from operating activities | 50,201 | 34,231 |
| Investing activities | | |
| Purchase of property, plant and equipment & intangible assets | (10,914) | (47,492) |
| Proceeds from disposal of property, plant and equipment | 420 | 71 |
| Withdrawal in short term deposit | 3,662 | 5,168 |
| Dividends paid to non-controlling interest | (24) | - |
| Interest received | 1,609 | 1,278 |
| Net cash flows used in investing activities | (5,247) | (40,975) |
| Financing activities | | |
| Finance lease repaid | - | (3) |
| Proceed from issuance of shares under ESOS | 1,358 | 958 |
| (Repayment)/drawdown of term loans | (4,286) | 23,375 |
| Dividends paid | (16,263) | (15,247) |
| Government grant received | 6,771 | - |
| Interest paid | (901) | - |
| Payment of lease liabilities | (442) | - |
| Net cash flows (used in)/generated from financing activities | (13,763) | 9,083 |
| Net increase in cash and cash equivalents | 31,191 | 2,339 |
| 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 | 95,709 | 75,824 |

Included in the deposits, bank and cash balances was RM 13,244,000 (30 September 2018 : RM 6,347,000) 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.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)**

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

A1 Basis of preparation

These unaudited condensed consolidated interim financial statements for the period ended 30 September 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.

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)**

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

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 September 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

353,343,279 new ordinary shares were issued on the basis of 3 bonus shares for every 1 existing share on 25 June 2019. Other than those reported in the previous quarterly announcement, 530,000 new ordinary shares were issued pursuant to the exercise of options under the Executive Share Options Scheme ("ESOS") in the third quarter ended 30 September 2019. Post bonus issue, the exercise price of the ESOS was adjusted accordingly in accordance to the ESOS Bylaws.

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 for the period ended 30 September 2019.

A7 Profit before tax

Included in profit before tax are the following items:

| | 3 MONTHS ENDED | | PERIOD ENDED | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30/09/2019 RM'000 | 30/09/2018 RM'000 | 30/09/2019 RM'000 | 30/09/2018 RM'000 |
| Interest income | 499 | 367 | 1,609 | 1,278 |
| Other income including investment income | 643 | 678 | 2,346 | 2,112 |
| Interest expense | (279) | - | (901) | - |
| Depreciation and amortisation | (3,846) | (2,263) | (11,061) | (6,701) |
| Impairment loss on receivables net of reversals | (760) | (269) | (1,078) | (519) |
| Inventories written off | (1,019) | (35) | (1,133) | (173) |
| Net profit on disposal of property, plant and equipment | 7 | 71 | 369 | 71 |
| Property, plant and equipment written off | (1) | (2) | (56) | (2) |
| Fair value loss/(gain) of derivative financial instruments | (60) | 102 | (61) | 155 |
| Foreign exchange gain/(loss) | (37) | (238) | 23 | (255) |

A8 Dividends paid and declared

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

| | 30/09/2019 RM'000 | 30/09/2018 RM'000 |
|--|----------------------|----------------------|
| <u>In respect of the financial year ended 30 September</u> | | |
| 2019: Interim single-tier dividend comprising 1.700 sen per share paid on 30-September-19 | 8,019 | - |
| 2018: Final single-tier dividend comprising 1.750 sen* per share paid on 14-June-19 | 8,244 | |
| 2018: Interim single-tier dividend comprising 1.625 sen* per share paid on 28-September-18 | | 7,632 |
| 2017: Final single-tier dividend comprising 1.625 sen* share paid on 14-June-18 | | 7,615 |
| | <u>16,263</u> | <u>15,247</u> |

* The dividend per share for the corresponding financial periods had been adjusted retrospectively to reflect the effect of the issuance of 3 for 1 bonus issue on 25 June 2019.

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, properties and others ("CORP").

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 SEPTEMBER 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 |
|--------------------------------|---------------|---------------|----------------|-----------------------|------------------|
| PERIOD ENDED 30/09/2019 | | | | | |
| External Revenue | 38,893 | 473,044 | 6,215 | - | 518,152 |
| Inter-segment revenue | 83,594 | 573 | 16,565 | (100,732) | - |
| Total Revenue | 122,487 | 473,617 | 22,780 | (100,732) | 518,152 |
| Segment Results | 27,458 | 19,916 | 2,608 | (1,097) | 48,885 |
| Finance costs | | | | | (1,035) |
| Profit before tax | | | | | 47,850 |
| PERIOD ENDED 30/09/2018 | | | | | |
| External Revenue | 38,745 | 444,139 | 6,715 | - | 489,599 |
| Inter-segment revenue | 80,894 | 3,821 | 21,152 | (105,867) | - |
| Total Revenue | 119,639 | 447,960 | 27,867 | (105,867) | 489,599 |
| Segment Results | 36,309 | 16,395 | 1,699 | (1,872) | 52,531 |
| Finance costs | | | | | - |
| Profit before tax | | | | | 52,531 |
| Segment assets | | | | | |
| 30-Sep-2019 | 207,598 | 309,766 | 64,847 | (4,729) | 577,482 |
| 31-Dec-2018 | 199,303 | 284,884 | 62,020 | (6,242) | 539,965 |
| Segment liabilities | | | | | |
| 30-Sep-2019 | (53,523) | (99,502) | (5,460) | (7,862) | (166,347) |
| 31-Dec-2018 | (62,236) | (80,021) | (5,288) | (5,959) | (153,504) |

A10 Significant Events After the Reporting Date

On 16th October 2019, the Group announced that its wholly-owned subsidiary, Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("XEPA") entered into a conditional Sale and Purchase Agreement with Hicom Indungan Sdn Bhd for the acquisition of a piece of 18.75 acres freehold industrial land, forming part and parcel of land held under GRN 59902, LOT 15606 (formerly held under No. H.S. (D) 23123, No. PT 2236), in Phase 3, HICOM Pegoh Park, Mukim Pegoh, District of Alor Gajah, Melaka for a total purchase consideration of RM 20.4 million. The new site provides XEPA a large tract of land for future plant expansion in order to sustain long term growth.

Other than the above, 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 September 2019.

A12 Property, plant and equipment

During the current quarter ended 30 September 2019, prepaid capital expenditure paid by the Group was RM 3.5 million (30 September 2018: RM 25.5 million).

Assets with carrying amount of RM 51,000 were disposed of by the Group during the current quarter ended 30 September 2019 (30 September 2018: RM Nil), resulting in a net gain on disposal of RM 369,000 (RM71,000) recognised and included in other income in the statement of comprehensive income.

A13 Capital Commitments

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

| | RM'000 |
|--|---------------|
| Authorised capital expenditure approved and contracted for | 27,363 |
| Authorised capital expenditure approved but not contracted for | 11,071 |
| | 38,434 |

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

A14 Related Party Transactions

The Group does not have any significant transactions with related parties during the period ended 30 September 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: | 30/09/2019 RM'000 | 31/12/2018 RM'000 |
|--|----------------------|----------------------|
| | (Level 2) | |
| Derivatives - Forward currency contracts | - | 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 | | |
|--|----------------------|--------------------------------------|---------|---------|----------------------|-------------------------------------|---------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Changes | | Current Year To-date | Preceding Year Corresponding Period | Changes |
| | 30/09/2019 | 30/09/2018 | | | 30/09/2019 | 30/09/2018 | |
| | RM'000 | RM'000 | | | (%) | RM'000 | |
| Revenue | 180,653 | 165,253 | 9.3% | 518,152 | 489,599 | 5.8% | |
| Operating Profit | 15,556 | 16,376 | -5.0% | 42,860 | 47,131 | -9.1% | |
| Profit Before Interest and Tax | 17,462 | 18,637 | -6.3% | 48,885 | 52,531 | -6.9% | |
| Profit Before Tax | 17,124 | 18,637 | -8.1% | 47,850 | 52,531 | -8.9% | |
| Profit After Tax | 14,122 | 14,942 | -5.5% | 38,766 | 41,864 | -7.4% | |
| Profit Attributable to Ordinary Equity Holders of the Parent | 14,123 | 14,897 | -5.2% | 38,746 | 41,777 | -7.3% | |

Review of Current Quarter Performance versus Corresponding Quarter Last Year

In the third quarter of 2019, the Group achieved revenue of RM 180.7 million, 9.3% higher than the RM 165.3 million in the third quarter of 2018. This is the highest quarterly revenue achieved and is the result of strong contributions from both private and public sector sale of Group branded pharmaceutical products, contract manufacturing and the distribution of pharmaceutical and consumer healthcare agencies. Group profit before tax for the third quarter is RM 17.1 million, 8.1% lower than the RM 18.6 million achieved in the corresponding period in 2018. This is attributed mainly to increased operating and finance costs with the startup of SPP NOVO. During the quarter, the Group's wholly owned manufacturing subsidiary Xepa-Soul Pattinson (M) Sdn Bhd secured the EN ISO 13485:2016 accreditation for the Design and Development, Manufacture and Distribution of Sterile Eye Drops, a Medical Device category, certifying compliance with European Union standards.

Review of Year To Date Performance versus Corresponding Period Last Year

For the first nine months of 2019, the Group achieved revenue of RM 518.2 million, a growth of 5.8% when compared to the RM 489.6 million in the same period in 2018. Revenue growth continues to be supported by consistent contributions from both private and public sector sale of Group branded pharmaceutical products, contract manufacturing and the distribution of pharmaceutical and consumer healthcare agencies. Group operating expenses are in line with expectations. Finance costs reached RM 1.03 million for the first 9 months of 2019 compared to Nil for the corresponding period due mainly to loans drawn down for SPP NOVO. Share of results from associated company is RM 6.02 million, 11.6% higher than the RM 5.4 million recognized in 2018 for the same period due to higher sales. Group profit before tax for the first nine months of 2019 is RM 47.9 million, 8.9% lower than the RM 52.5 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 30/09/2019 | Immediate Preceding Quarter 31/06/2019 | Changes | |
|--|-------------------------------|---|---------|-------|
| | RM'000 | RM'000 | RM'000 | (%) |
| Revenue | 180,653 | 159,270 | 21,383 | 13.4% |
| Operating Profit | 15,556 | 13,238 | 2,318 | 17.5% |
| Profit Before Interest and Tax | 17,462 | 16,557 | 905 | 5.5% |
| Profit Before Tax | 17,124 | 16,183 | 941 | 5.8% |
| Profit After Tax | 14,122 | 13,230 | 892 | 6.7% |
| Profit Attributable to Ordinary Equity Holders of the Parent | 14,123 | 13,224 | 899 | 6.8% |

Profit before taxation for the current quarter is RM 17.1 million, compared to the RM 16.2 million reported for the second quarter of 2019. There is no material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter.

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

B3 Commentary

a Prospects

The Group's core pharmaceutical and consumer healthcare businesses continue to perform consistently in the third quarter of 2019, driven by the Group's commitment to sales growth, new product development, brand management, customer service and operational efficiency. For the Group's associate company engaged in the contract manufacturing of orthopaedic devices, secured orders for delivery in the final quarter of 2019 is lower than the same period last year as the fulfillment dates for some of these orders have been postponed to 2020 at the instruction of customers.

Uncertain global economic prospects, foreign exchange volatility and higher operating expenses from the start-up of SPP NOVO contribute towards a challenging business environment in 2019. 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

| | 3 MONTHS ENDED | | PERIOD ENDED | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 30/09/2019 RM'000 | 30/09/2018 RM'000 | 30/09/2019 RM'000 | 30/09/2018 RM'000 |
| In respect of current period: | | | | |
| Income tax | 2,235 | 3,271 | 7,330 | 10,418 |
| Deferred tax | 557 | 81 | 840 | (950) |
| Foreign tax | 301 | 420 | 1,005 | 1,276 |
| | <u>3,093</u> | <u>3,772</u> | <u>9,175</u> | <u>10,744</u> |
| In respect of prior period: | | | | |
| Income tax | (91) | - | (91) | - |
| Deferred tax | - | (77) | - | (77) |
| | <u>3,002</u> | <u>3,695</u> | <u>9,084</u> | <u>10,667</u> |

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 November 2019.

B8 Group Borrowings and Debt Securities

| | As at 30/09/2019 | | | | | |
|--------------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------|--------------------|
| | 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 | - | 19,750 | - | 5,857 | - | 25,607 |

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

B8 Group Borrowings and Debt Securities (continued)

| | 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 | - | 5,857 | - | 29,893 |
| Finance lease | - | - | 1 | - | 1 | - |

^ 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 interim single-tier dividend of 1.700 sen per share in respect of the financial year ending 31 December 2019 which was declared by the Board of Directors in the previous quarter was paid on 30 September 2019. (Year 2018: Interim single-tier dividend of 1.625 sen* per share paid on 28 September 2018).

b The total dividend declared and paid to-date in the current financial year is 1.7 sen per share based on the enlarged 471 million number of ordinary shares post bonus issue. (Year 2018: Single-tier dividend of 1.625 sen* per share).

* The dividend per share for the corresponding financial periods had been adjusted retrospectively to reflect the effect of the issuance of 3 for 1 bonus issue on 25 June 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 | |
|---|--------|----------------|-------------|--------------|-------------|
| | | 30/09/2019 | 30/09/2018 | 30/09/2019 | 30/09/2018 |
| <u>Basic Earnings per share</u> | | | | | |
| Profit after tax | RM'000 | 14,123 | 14,897 | 38,746 | 41,777 |
| Weighted average number of ordinary shares in issue as presented prior to bonus issue | '000 | 117,913 | 117,431 | 117,913 | 117,431 |
| Effect of bonus issue | '000 | 353,343 | 352,293 | 353,343 | 352,293 |
| | '000 | 471,256 | 469,724 | 471,256 | 469,724 |
| Basic earnings per share | sen | 3.00 | 3.17 | 8.22 | 8.89 |
| <u>Diluted Earnings per share</u> | | | | | |
| Profit after tax | RM'000 | 14,123 | 14,897 | 38,746 | 41,777 |
| Weighted average number of ordinary shares in issue | '000 | 471,256 | 469,724 | 471,256 | 469,724 |
| Effect of dilution-Share options | '000 | 2,042 | 2,616 | 2,042 | 2,616 |
| Adjusted weighted average number of ordinary shares in issue | '000 | 473,298 | 472,340 | 473,298 | 472,340 |
| Diluted earnings per share | sen | 2.98 | 3.15 | 8.19 | 8.84 |

Pursuant to MFRS 133 Earnings Per Share, the Earnings Per Share for the corresponding quarter and year to date ended 30 September 2018 had been retrospectively adjusted to reflect the effect of the bonus issue.

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

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 |
|--|-----------------------------|----------------------|
| | 30/09/2019 RM'000 | 30/09/2019 RM'000 |
| i) Forward Foreign Currency Contract entered into for the export sales to Singapore - Less than 1 year | 6,675 | 5 |
| ii) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers - Less than 1 year | (1,297) | (5) |
| | 5,378 | - |

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:

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

The net cash requirements relating to these contracts was RM 5,378,000.

B13 Fair Value Changes of Financial Liabilities

As at 30 September 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 November 2019.