

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		<b>170,634</b>	<b>163,061</b>	<b>688,786</b>	<b>652,660</b>
Cost of sales		(131,882)	(127,895)	(534,108)	(497,503)
<b>Gross profit</b>		<b>38,752</b>	<b>35,166</b>	<b>154,678</b>	<b>155,157</b>
Other income		1,994	1,348	6,727	5,891
Selling & marketing expenses		(14,182)	(14,583)	(69,985)	(69,596)
Administrative expenses		(7,901)	(6,538)	(29,077)	(27,027)
Other expenses		(906)	(926)	(1,726)	(2,827)
Finance cost		(550)	(92)	(1,585)	(92)
Share of results of an associate		1,277	2,364	7,302	7,764
Profit before tax	A7	<b>18,484</b>	<b>16,739</b>	<b>66,334</b>	<b>69,270</b>
Income tax expense	B6	(4,478)	64	(13,562)	(10,603)
<b>Net profit for the year</b>		<b>14,006</b>	<b>16,803</b>	<b>52,772</b>	<b>58,667</b>
<b>Other comprehensive income:</b>					
Exchange differences on translation of foreign operations, net of tax		(27)	(27)	162	(2,767)
<b>Total comprehensive income for the year</b>		<b>13,979</b>	<b>16,776</b>	<b>52,934</b>	<b>55,900</b>
<b>Net profit attributable to:</b>					
Owners of the parent		14,004	16,804	52,750	58,581
Non-controlling interest		2	(1)	22	86
<b>Net profit for the year</b>		<b>14,006</b>	<b>16,803</b>	<b>52,772</b>	<b>58,667</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		13,977	16,777	52,912	55,814
Non-controlling interest		2	(1)	22	86
<b>Total comprehensive income for the year</b>		<b>13,979</b>	<b>16,776</b>	<b>52,934</b>	<b>55,900</b>
<b>Earnings per share attributable to owners of the parent:</b>					
		<b>Sen</b>	<b>Sen*</b>	<b>Sen</b>	<b>Sen*</b>
- Basic	B11	<b>2.97</b>	<b>3.58</b>	<b>11.19</b>	<b>12.49</b>
- Diluted	B11	<b>2.96</b>	<b>3.56</b>	<b>11.15</b>	<b>12.43</b>

\*For comparative purposes, the earnings per share for the corresponding quarter and year ended 31 December 2018 had been retrospectively adjusted to reflect the effect of the bonus issue.

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

	Note	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000 <u>(Audited)</u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	A12	170,152	177,211
Investment properties		10,655	9,809
Intangible assets		1,670	1,777
Right of use assets		5,936	-
Investment in an associate		25,120	17,818
Deferred tax assets		685	537
Receivables		-	3,774
		<u>214,218</u>	<u>210,926</u>
<b>Current Assets</b>			
Inventories		86,505	83,106
Receivables		159,362	160,422
Prepayments		833	513
Tax recoverable		1,834	3,784
Derivative financial instruments	A15 & B12	24	61
Deposits, bank and cash balances		120,390	81,153
		<u>368,948</u>	<u>329,039</u>
<b>TOTAL ASSETS</b>		<b><u>583,166</u></b>	<b><u>539,965</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		120,056	117,652
Borrowings	B8	5,857	5,857
Lease liabilities		962	-
Derivative financial instruments	A15 & B12	12	-
Current tax payable		1,400	1,527
		<u>128,287</u>	<u>125,036</u>
<b>Non-Current Liabilities</b>			
Borrowings	B8	18,286	24,036
Lease liabilities		5,130	-
Deferred tax liabilities		5,935	4,432
		<u>29,351</u>	<u>28,468</u>
<b>TOTAL LIABILITIES</b>		<b><u>157,638</u></b>	<b><u>153,504</u></b>
<b>NET ASSETS</b>		<b><u>425,528</u></b>	<b><u>386,461</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		120,835	118,806
Reserves		11,915	11,395
Retained earnings		292,313	255,793
		<u>425,063</u>	<u>385,994</u>
Non-controlling interest		465	467
<b>TOTAL EQUITY</b>		<b><u>425,528</u></b>	<b><u>386,461</u></b>
		<b>RM</b>	<b>RM</b>
<b>Net Assets per share attributable to owners of the parent</b>		<b>0.90</b>	<b>* 0.82</b>

\*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 YEAR ENDED 31 DECEMBER 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	
<b>YEAR ENDED 31 DECEMBER 2019</b>								
Balance at 1 January 2019		118,806	10,380	1,015	255,793	385,994	467	386,461
Total comprehensive income		-	162	-	52,750	52,912	22	52,934
Share options granted		-	-	787	-	787	-	787
Share options lapsed		-	-	(33)	33	-	-	-
Transfer to share capital for share options exercised		396	-	(396)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(16,263)	(16,263)	-	(16,263)
Issuance of ordinary share pursuant to ESOS		1,633	-	-	-	1,633	-	1,633
Total transaction with owners		1,633	-	-	(16,263)	(14,630)	-	(14,630)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(24)	(24)
<b>Balance as at 31 December 2019</b>		<b>120,835</b>	<b>10,542</b>	<b>1,373</b>	<b>292,313</b>	<b>425,063</b>	<b>465</b>	<b>425,528</b>
<b>YEAR ENDED 31 DECEMBER 2018</b>								
Balance at 1 January 2018		117,146	13,147	509	212,432	343,234	421	343,655
Total comprehensive income		-	(2,767)	-	58,581	55,814	86	55,900
Share options granted		-	-	849	-	849	-	849
Share options lapsed		-	-	(27)	27	-	-	-
Transfer to share capital for share options exercised		316	-	(316)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(15,247)	(15,247)	-	(15,247)
Issuance of ordinary share pursuant to ESOS		1,344	-	-	-	1,344	-	1,344
Total transaction with owners		1,344	-	-	(15,247)	(13,903)	-	(13,903)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(40)	(40)
<b>Balance as at 31 December 2018</b>		<b>118,806</b>	<b>10,380</b>	<b>1,015</b>	<b>255,793</b>	<b>385,994</b>	<b>467</b>	<b>386,461</b>

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

	YEAR ENDED	
	31/12/2019	31/12/2018
	RM'000	RM'000
<b>Operating activities</b>		
Profit before tax	66,334	69,270
Adjustments for:		
Depreciation and amortisation	14,965	9,406
Net profit on disposal of property, plant and equipment	(372)	(107)
Property, plant and equipment written off	56	28
Share of results of an associate	(7,302)	(7,764)
Fair value changes of derivative financial instruments	50	(172)
Share options granted	787	849
Depreciation of rights of use assets	1,058	-
Lease interest expense	426	-
Inventories written off	1,928	346
Impairment loss on receivables net of reversals	1,115	1,392
Interest expense	1,159	92
Interest income	(2,148)	(1,653)
Operating cash flows before changes in working capital	78,056	71,687
Inventories	(5,327)	(14,434)
Receivables	3,400	(12,406)
Payables	2,404	10,882
Cash generated from operations	78,533	55,729
Tax paid	(10,384)	(15,025)
<b>Net cash flows generated from operating activities</b>	<b>68,149</b>	<b>40,704</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment & intangible assets	(15,634)	(62,583)
Proceeds from disposal of property, plant and equipment	423	107
Placement in short term deposit	(9,915)	(5,391)
Dividend from associated company	-	420
Dividends paid to non-controlling interest	(24)	(40)
Interest received	2,148	1,653
<b>Net cash flows used in investing activities</b>	<b>(23,002)</b>	<b>(65,834)</b>
<b>Financing activities</b>		
Finance lease repaid	-	(7)
Proceed from issuance of shares under ESOS	1,633	1,344
(Repayment)/drawdown of term loans	(5,751)	29,894
Dividends paid	(16,263)	(15,247)
Government grant received	6,771	-
Interest paid	(1,159)	(92)
Payment of lease liabilities	(1,328)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(16,097)</b>	<b>15,892</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>29,050</b>	<b>(9,238)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>64,247</b>	<b>74,908</b>
Effect of exchange rate changes on cash and cash equivalents	271	(1,423)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>93,568</b>	<b>64,247</b>

Included in the deposits, bank and cash balances was RM 26,822,000 (31 December 2018 : RM 16,906,000) 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 FOURTH QUARTER ENDED 31 DECEMBER 2019  
(THE FIGURES HAVE NOT BEEN AUDITED)**

**A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2019**

**A1 Basis of preparation**

These unaudited condensed consolidated interim financial statements for the year ended 31 December 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. 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 6,994,000 as at 1 January 2019.

**A3 Seasonality or cyclicity of interim operations**

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

**A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

**A4 Unusual items**

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the year ended 31 December 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, 260,000 new ordinary shares were issued pursuant to the exercise of options under the Executive Share Options Scheme ("ESOS") in the fourth quarter ended 31 December 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 31 December 2019.

**A7 Profit before tax**

Included in profit before tax are the following items:

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Interest income	539	375	2,148	1,653
Other income including investment income	764	517	3,110	2,629
Interest expense	(258)	(92)	(1,159)	(92)
Depreciation and amortisation	(3,904)	(2,705)	(14,965)	(9,406)
Impairment loss on receivables net of reversals	(37)	(873)	(1,115)	(1,392)
Inventories written off	(795)	(173)	(1,928)	(346)
Net profit on disposal of property, plant and equipment	3	36	372	107
Property, plant and equipment written off	-	(26)	(56)	(28)
Fair value gain/(loss) of derivative financial instruments	11	17	(50)	172
Foreign exchange gain/(loss)	92	113	115	(142)

**A8 Dividends paid and declared**

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

	31/12/2019 RM'000	31/12/2018 RM'000
<u>In respect of the financial year ended 31 December</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* per 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").

**OPERATING SEGMENTS**

	M&M RM'000	W&D RM'000	CORP RM'000	Adjustments RM'000	GROUP RM'000
<b>YEAR ENDED 31/12/2019</b>					
External Revenue	57,268	623,376	8,142	-	688,786
Inter-segment revenue	110,264	605	27,512	(138,381)	-
Total Revenue	<u>167,532</u>	<u>623,981</u>	<u>35,654</u>	<u>(138,381)</u>	<b>688,786</b>
Segment Results	39,185	26,633	4,237	(2,136)	67,919
Finance costs					(1,585)
Profit before tax					<u><b>66,334</b></u>

**A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 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
<b>YEAR ENDED 31/12/2018</b>					
External Revenue	53,028	590,529	9,103	-	652,660
Inter-segment revenue	106,706	800	38,008	(145,514)	-
Total Revenue	159,734	591,329	47,111	(145,514)	<b>652,660</b>
Segment Results	43,944	23,280	4,898	(2,760)	69,362
Finance costs					(92)
Profit before tax					<b>69,270</b>
<b>Segment assets</b>					
31-Dec-2019	210,526	304,320	76,878	(8,558)	<b>583,166</b>
31-Dec-2018	199,303	284,884	62,020	(6,242)	<b>539,965</b>
<b>Segment liabilities</b>					
31-Dec-2019	(48,643)	(96,596)	(5,064)	(7,335)	<b>(157,638)</b>
31-Dec-2018	(62,236)	(80,021)	(5,288)	(5,959)	<b>(153,504)</b>

**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**

On 18 December 2019, the Company has acquired a newly incorporated company EpiCrest Sdn Bhd with an issued and paid-up capital of RM 1.00. Other than disclosed, there are no other changes in composition of the Group.

**A12 Property, plant and equipment**

During the current quarter ended 31 December 2019, prepaid capital expenditure paid by the Group was RM 4.7 million (31 December 2018: RM 15.0 million).

There were no material disposal of assets and/or assets written off during the quarter ended 31 December 2019.

**A13 Capital Commitments**

Capital commitments of property, plant and equipment not provided for in the financial statements as at 31 December 2019 are as follows:

	<u>RM'000</u>
Authorised capital expenditure approved and contracted for	27,497
Authorised capital expenditure approved but not contracted for	12,205

**A14 Related Party Transactions**

The Group does not have any significant transactions with related parties during the year ended 31 December 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:	31/12/2019	31/12/2018
	RM'000	RM'000
	<u>(Level 2)</u>	
Derivatives - Forward currency contracts	12	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 2019 and 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 Year	
	31/12/2019	31/12/2018		31/12/2019	31/12/2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	170,634	163,061	4.6%	688,786	652,660	5.5%
Operating Profit	17,757	14,467	22.7%	60,617	61,598	-1.6%
Profit Before Interest and Tax	19,034	16,831	13.1%	67,919	69,362	-2.1%
Profit Before Tax	18,484	16,739	10.4%	66,334	69,270	-4.2%
Profit After Tax	14,006	16,803	-16.6%	52,772	58,667	-10.0%
Profit Attributable to Ordinary Equity Holders of the Parent	14,004	16,804	-16.7%	52,750	58,581	-10.0%

Review of Current Quarter Performance versus Corresponding Quarter Last Year

The Group concluded 2019 with fourth quarter revenue of RM 170.6 million, a growth of 4.6% over RM 163.1 million achieved in the same period in 2018. Key business units performed well, with good growth in contract manufacturing as well as pharmaceutical sales to both private and government sectors. Manufacturing segment ('Xepa') revenue achieved its best ever quarter, in line with the Group's priority of growing SPP NOVO capacity utilization. Share of results from associated company Straits Apex Sdn Bhd ('SA') for the quarter is RM 1.3 million, lower by 45.8% compared to the same period last year. This is attributed to lower sales in the quarter as fulfilment dates for a portion of secured orders were postponed to 2020 by customers. During the quarter, a third manufacturing facility at Penang Science Park was operationalized by SA in order to meet projected future demand. Operating costs from the startup also impacted earnings. Profit before tax at RM 18.5 million for the final quarter is 10.4% higher than the RM 16.7 million achieved for the same quarter in the previous year.

Review of Year To Date Performance versus Corresponding Period Last Year

For 2019, the Group achieved revenue of RM 688.8 million, a growth of 5.5% when compared to the RM 652.7 million in 2018, marking the 19th consecutive year of revenue growth. Consistent revenue growth was achieved across key business units, with improved contributions from pharmaceutical sales to the Government sector, contract manufacturing and distribution services. Revenue from sales of Group branded pharmaceuticals to the private sector also grew well, helped by an expanded product portfolio with the launch of 9 new products throughout the year. Profit before tax for the full year is RM 66.3 million, 4.2% lower than the RM 69.3 million achieved in 2018, attributed mainly to higher operating and finance costs with the startup of SPP NOVO and a lower contribution from associated company Straits Apex Sdn Bhd ('SA'). Share of results from SA is RM 7.3 million in 2019, 6.4% lower than the RM 7.8 million reported for 2018. Effective tax rate for 2019 is 23.4% compared to 17.2% in the previous year when reinvestment tax allowance was utilized. Accordingly, profit after tax for financial year 2019 is RM 52.8 million, 10.0% lower than that achieved in 2018.

**B2 Material changes in the profit before tax for the quarter**

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/12/2019	30/09/2019	RM'000	(%)
Revenue	170,634	180,653	(10,019)	-5.5%
Operating Profit	17,757	15,556	2,201	14.1%
Profit Before Interest and Tax	19,034	17,462	1,572	9.0%
Profit Before Tax	18,484	17,124	1,360	7.9%
Profit After Tax	14,006	14,122	(116)	-0.8%
Profit Attributable to Ordinary Equity Holders of the Parent	14,004	14,123	(119)	-0.8%

Profit before taxation for the current quarter is RM 18.5 million, 7.9% better than the RM 17.1 million reported for the third quarter of 2019. There is mainly attributed to a greater percentage of manufacturing segment sales which carry better margins in the Group's consolidated revenue for the fourth quarter.



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

**B3 Commentary**

**a Prospects**

For 2020, the prospects for the manufacturing, marketing and distribution of pharmaceuticals and consumer healthcare products stay positive in our markets. To sustain growth, the Group continues to commit resources to deepening research and development programs, widening the portfolio of Group Brand products, entering new international markets, growing market share in existing markets and improving operating efficiency.

European Union Good Manufacturing Practice certification, as well as the startup of a new Oral Solid Dosage plant ('SPP NOVO'), for the Group's pharmaceutical manufacturing operations adds new market opportunities and significantly increases production capacity. However, the immediate increase in operating expenses from SPP NOVO has impacted the Group's financial performance in 2019. Efforts continue to be directed at accelerating manufacturing revenue growth in order to optimize capacity utilization at SPP NOVO and reduce the impact of its operating costs on margins.

The Group's associate company engaged in the contract manufacturing of orthopedic devices has operationalized a third manufacturing facility in Penang Science Park in order to meet future demand. In the short term, higher operating costs will impact profit contributions to the Group.

The impact of the coronavirus (COVID-19) outbreak on the global economy cannot be accurately quantified at this juncture and may affect the Group's performance. Further unforeseen circumstances aside, the Board believes that the Group's fundamentals will enable it to continue to deliver a satisfactory performance in 2020.

**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		YEAR ENDED	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	4,068	(2,192)	11,398	8,226
Deferred tax	515	1,994	1,355	1,044
Foreign tax	51	56	1,056	1,332
	<u>4,634</u>	<u>(142)</u>	<u>13,809</u>	<u>10,602</u>
In respect of prior period:				
Income tax	(156)	2	(247)	(75)
Deferred tax	-	76	-	76
	<u>4,478</u>	<u>(64)</u>	<u>13,562</u>	<u>10,603</u>

The effective tax rate for the current quarter was in line with the statutory rate of 24%. The effective tax rate for the current year was lower than statutory rate due to the net-of-tax profit contributed by the Group's associated company.

The effective tax rate for the previous quarter and previous year was lower than the statutory rate as the Group was entitled to make a claim for the qualifying capital expenditure incurred for SPP Novo under the Reinvestment Allowance provided in the Malaysia Government Budget 2016.

**B7 Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 12 February 2020.

**B8 Group Borrowings and Debt Securities**

	As at 31/12/2019					
	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
<b>Secured</b>						
Secured bank loans	-	18,286	-	5,857	-	24,143

**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
<b>Secured</b>						
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 Board of Directors is recommending a final single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2019 for shareholders' approval at the forthcoming Annual General Meeting. (Year 2018: Final single-tier dividend of 1.75\* sen per share.)

b The total dividend paid to-date in the current financial year is 3.45\* sen per share. (Year 2018: Single-tier dividend of 3.25\* sen per share).

c Subject to the approval of shareholders at the forth coming Annual General Meeting of the Company, the final dividend will be paid on 16 June 2020 and the entitlement date for the payment is 2 June 2020.

\* 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		YEAR ENDED	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
<b><u>Basic Earnings per share</u></b>					
Profit after tax	RM'000	14,004	16,804	52,750	58,581
Weighted average number of ordinary shares in issue as presented prior to bonus issue	'000	117,958	116,534	117,958	116,534
Effect of bonus issue	'000	353,343	352,638	353,343	352,638
	'000	471,301	469,172	471,301	469,172
Basic earnings per share	sen	<b>2.97</b>	<b>3.58</b>	<b>11.19</b>	<b>12.49</b>
<b><u>Diluted Earnings per share</u></b>					
Profit after tax	RM'000	14,004	16,804	52,750	58,581
Weighted average number of ordinary shares in issue	'000	471,301	469,172	471,301	469,172
Effect of dilution-Share options	'000	1,969	2,264	1,969	2,264
Adjusted weighted average number of ordinary shares in issue	'000	473,270	471,436	473,270	471,436
Diluted earnings per share	sen	<b>2.96</b>	<b>3.56</b>	<b>11.15</b>	<b>12.43</b>

Pursuant to MFRS 133 Earnings Per Share, the Earnings Per Share for the corresponding quarter and year to date ended 31 December 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
	31/12/2019 RM'000	31/12/2019 RM'000
i) Forward Foreign Currency Contract entered into for the export sales to Singapore - Less than 1 year	5,814	(25)
ii) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers - Less than 1 year	(1,676)	(24)
	4,138	(49)

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 4,138,000.

**B13 Fair Value Changes of Financial Liabilities**

As at 31 December 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 19 February 2020.