

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
		RM'000	RM'000	RM'000	RM'000
Revenue		197,655	161,577	770,756	698,729
Cost of sales		(156,166)	(129,884)	(609,841)	(550,514)
Gross profit		41,489	31,693	160,915	148,215
Other income		1,660	2,148	7,707	9,188
Selling & marketing expenses		(15,826)	(12,100)	(71,346)	(65,926)
Administrative expenses		(7,029)	(6,678)	(26,682)	(27,364)
Other expenses		(387)	(259)	(1,418)	(1,456)
Finance costs		(219)	(296)	(862)	(1,145)
Share of results of an associate		5,616	3,893	7,097	8,662
Profit before tax	A7	25,304	18,401	75,411	70,174
Income tax expense	B6	(4,571)	(4,028)	(15,975)	(14,163)
Net profit for the year		20,733	14,373	59,436	56,011
Other comprehensive income:					
Exchange differences on translation of foreign operations, net of tax		(2)	76	2,487	(6)
Total comprehensive income for the year		20,731	14,449	61,923	56,005
Net profit attributable to:					
Owners of the parent		20,704	14,394	59,418	56,021
Non-controlling interest		29	(21)	18	(10)
Net profit for the year		20,733	14,373	59,436	56,011
Total comprehensive income attributable to:					
Owners of the parent		20,702	14,470	61,905	56,015
Non-controlling interest		29	(21)	18	(10)
Total comprehensive income for the year		20,731	14,449	61,923	56,005
Earnings per share attributable to owners of the parent:					
		Sen	Sen	Sen	Sen
- Basic	B11	4.37	3.04	12.55	11.84
- Diluted	B11	4.37	3.03	12.53	11.80

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	As at	As at
		31/12/2021	31/12/2020
		RM'000	RM'000
			(Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	A12	167,100	170,657
Investment properties		11,602	10,589
Intangible assets		2,561	1,386
Right-of-use assets		5,700	6,265
Investment in an associate		40,739	33,782
Deferred tax assets		1,005	845
		228,707	223,524
Current Assets			
Inventories		95,397	92,065
Receivables		158,817	129,343
Prepayments		2,159	942
Tax recoverable		977	2,070
Derivative financial instruments	A15 & B12	28	42
Deposits, bank and cash balances		194,059	172,929
		451,437	397,391
TOTAL ASSETS		680,144	620,915
EQUITY AND LIABILITIES			
Current Liabilities			
Payables		143,265	117,660
Borrowings	B8	5,857	21,214
Lease liabilities		792	737
Current tax payable		1,985	1,504
		151,899	141,115
Non-Current Liabilities			
Borrowings	B8	9,500	-
Lease liabilities		5,273	5,808
Deferred tax liabilities		6,615	6,027
		21,388	11,835
TOTAL LIABILITIES		173,287	152,950
NET ASSETS		506,857	467,965
EQUITY			
Equity attributable to owners of the parent			
Share capital		127,191	125,255
Reserves		14,567	11,768
Retained earnings		365,018	330,807
		506,776	467,830
Non-controlling interest		81	135
TOTAL EQUITY		506,857	467,965
		RM	RM
Net Assets per share attributable to owners of the parent		1.07	0.99

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 2021

	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	
YEAR ENDED 31 DECEMBER 2021								
Balance at 1 January 2021		125,255	10,536	1,232	330,807	467,830	135	467,965
Total comprehensive income		-	2,487	-	59,418	61,905	18	61,923
Share options granted		-	-	671	-	671	-	671
Share options lapsed		-	-	(13)	13	-	-	-
Transfer to share capital for share options exercised		346	-	(346)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(25,220)	(25,220)	-	(25,220)
Issuance of ordinary share pursuant to ESOS		1,590	-	-	-	1,590	-	1,590
Total transaction with owners		1,590	-	-	(25,220)	(23,630)	-	(23,630)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(72)	(72)
Balance as at 31 December 2021		127,191	13,023	1,544	365,018	506,776	81	506,857
YEAR ENDED 31 DECEMBER 2020								
Balance at 1 January 2020		120,835	10,542	1,373	292,313	425,063	465	425,528
Total comprehensive income		-	(6)	-	56,021	56,015	(10)	56,005
Share options granted		-	-	716	-	716	-	716
Share options lapsed		-	-	(10)	10	-	-	-
Transfer to share capital for share options exercised		847	-	(847)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(17,537)	(17,537)	-	(17,537)
Issuance of ordinary share pursuant to ESOS		3,573	-	-	-	3,573	-	3,573
Total transaction with owners		3,573	-	-	(17,537)	(13,964)	-	(13,964)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(320)	(320)
Balance as at 31 December 2020		125,255	10,536	1,232	330,807	467,830	135	467,965

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

	YEAR ENDED	
	31/12/2021 RM'000	31/12/2020 RM'000
Operating activities		
Profit before tax	75,411	70,174
Adjustments for:		
Depreciation and amortisation	15,503	15,517
Net profit on disposal of property, plant and equipment	(183)	(183)
Property, plant and equipment written off	72	20
Share of results of an associate	(7,097)	(8,662)
Fair value changes of derivative financial instruments	14	(31)
Share options granted	671	716
Depreciation of right-of-use assets	832	933
Lease interest expense	337	398
Inventories written off	417	591
Impairment on receivables net of reversals	(42)	864
Interest expense	526	747
Interest income	(1,825)	(1,788)
Currency translation differences (unrealised)	-	206
Operating cash flows before changes in working capital	84,636	79,502
Inventories	(3,749)	(6,151)
Receivables	(30,650)	28,905
Payables	25,605	(2,404)
Cash generated from operations	75,842	99,852
Tax paid	(13,972)	(14,364)
Net cash flows generated from operating activities	61,870	85,488
Investing activities		
Purchase of property, plant and equipment & intangible assets	(13,058)	(15,854)
Proceeds from disposal of property, plant and equipment	183	293
Placement in short term deposit	(14,400)	(37,399)
Dividend from associated company	140	-
Dividends paid to non-controlling interest	(72)	(320)
Interest received	1,825	1,788
Net cash flows used in investing activities	(25,382)	(51,492)
Financing activities		
Proceed from issuance of shares under ESOS	1,590	3,573
Repayment of term loans	(5,857)	(2,929)
Dividends paid	(25,220)	(17,537)
Interest paid	(526)	(747)
Payment of lease liabilities	(1,085)	(1,207)
Net cash flows used in financing activities	(31,098)	(18,847)
Net increase in cash and cash equivalents	5,390	15,149
Cash and cash equivalents at 1 January	86,632	71,491
Effect of exchange rate changes on cash and cash equivalents	1,340	(8)
Cash and cash equivalents at the end of the financial year	93,362	86,632

Included in the deposits, bank and cash balances was RM 100,697,000 (31 December 2020: RM 86,297,000) placed with money market fund held for investment purposes and deposits with licensed banks with tenure more than 3 months. Both of these 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 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2021

A1 Basis of preparation

These unaudited condensed consolidated interim financial statements for the year ended 31 December 2021 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 2020.

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 2020 except for the adoption of the following standards, wherever applicable to the Group and Company:

Description	Effective for annual periods beginning on or after
Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment (Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137: Onerous Contracts (Costs of Fulfilling a Contract)	1 January 2022
Annual Improvement to MFRS Standards 2018 - 2020 Cycle	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFR 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

A3 Seasonality or cyclicity of interim operations

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

A4 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the year ended 31 December 2021.

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 fourth quarter ended 31 December 2021 except for the issuance of 70,000 new ordinary shares pursuant to exercise of options under the Executive Share Options Scheme ("ESOS").

A7 Profit before tax

Included in profit before tax are the following items:

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Interest income	606	397	1,825	1,788
Other income including investment income	658	1,617	4,437	6,198
Interest expense	(131)	(171)	(526)	(747)
Depreciation and amortisation	(3,827)	(3,771)	(15,503)	(15,517)
Depreciation of right-of-use assets	(211)	(194)	(832)	(933)
Impairment on receivables net of reversals	239	113	42	(864)
Inventories written off	(448)	(550)	(417)	(591)
Net profit on disposal of property, plant and equipment	98	-	183	183
Property, plant and equipment written off	(65)	(20)	(72)	(20)
Fair value changes of derivative financial instruments	77	61	(14)	31
Foreign exchange gain	110	15	631	523

**INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

A8 Dividends paid and declared

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

	31/12/2021 RM'000	31/12/2020 RM'000
<u>In respect of the financial year ended 31 December</u>		
2021: Interim single-tier dividend comprising 2.50 sen per share paid on 15-September-21	11,904	-
2020: Final single-tier dividend comprising 2.80 sen per share paid on 16-June-21	13,316	-
2020: Interim single-tier dividend comprising 1.70 sen per share paid on 30-September-20	-	8,074
2019: Second interim single-tier dividend comprising 2.00 sen per share paid on 16-June-20	-	9,463
	<u>25,220</u>	<u>17,537</u>

A9 Segment Information

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

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

OPERATING SEGMENTS

	Manufacturing RM'000	Distribution RM'000	Corporate RM'000	Adjustments RM'000	GROUP RM'000
YEAR ENDED 31/12/2021					
External Revenue	58,600	711,497	659	-	770,756
Inter-segment revenue	113,943	369	28,910	(143,222)	-
Total Revenue	<u>172,543</u>	<u>711,866</u>	<u>29,569</u>	<u>(143,222)</u>	<u>770,756</u>
Segment Results	41,566	33,148	4,286	(2,727)	76,273
Finance costs					(862)
Profit before tax					<u>75,411</u>
YEAR ENDED 31/12/2020					
External Revenue	47,540	648,954	2,235	-	698,729
Inter-segment revenue	98,978	404	28,511	(127,893)	-
Total Revenue	<u>146,518</u>	<u>649,358</u>	<u>30,746</u>	<u>(127,893)</u>	<u>698,729</u>
Segment Results	34,264	33,842	4,513	(1,300)	71,319
Finance costs					(1,145)
Profit before tax					<u>70,174</u>
Segment assets					
31-Dec-2021	213,505	325,808	146,190	(5,359)	680,144
31-Dec-2020	<u>208,420</u>	<u>295,077</u>	<u>121,574</u>	<u>(4,156)</u>	620,915
Segment liabilities					
31-Dec-2021	(46,000)	(114,709)	(3,977)	(8,601)	(173,287)
31-Dec-2020	<u>(42,626)</u>	<u>(98,931)</u>	<u>(3,862)</u>	<u>(7,531)</u>	(152,950)

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 7 December 2021, CS Health Store Sdn Bhd, a 60% owned dormant subsidiary of Apex Retail Sdn Bhd, has commenced a members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Apex Retail Sdn Bhd is a wholly-owned subsidiary of the Company. Upon the completion of the winding up exercise, CS Health Store Sdn Bhd will cease to be a subsidiary of the Group. This exercise will not have any material effect on the net assets and earnings per share of the Group.

Other than the above, 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 year ended 31 December 2021.

A12 Property, plant and equipment

During the current quarter ended 31 December 2021, prepaid capital expenditure paid by the Group was RM 3.6 million (31 December 2020: RM 5.6 million).

Assets with zero carrying amount were disposed by the Group during the current quarter ended 31 December 2021 and resulting in a net disposal gain of RM 98,000. There was no disposal of asset in the corresponding quarter ended 31 December 2020.

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

**INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

A13 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 31 December 2021 are as follows:

	RM'000
Authorised capital expenditure approved and contracted for	23,355
Authorised capital expenditure approved but not contracted for	12,380
	<u>35,735</u>

A14 Related Party Transactions

The Group did not have any significant transactions with related parties during the year ended 31 December 2021 in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2020.

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.

	31/12/2021	31/12/2020
	RM'000	RM'000
Financial asstes:		
	(Level 2)	
Derivatives - Forward currency contracts	<u>28</u>	<u>42</u>

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

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

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

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

There have been no transfers between the fair value hierarchy during the financial year end 2021 and 2020.

A16 Changes in Contingent liabilities or Contingent assets

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

**INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

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

B1 Detailed Performance Analysis of Operating Segments of the Group

	Individual Period		Changes	Cumulative Period		Changes
	Current Year	Year Corresponding Quarter		Current Year To-date	Preceding Year To-date	
	Quarter	Quarter		31/12/2021	31/12/2020	
	31/12/2021	31/12/2020		RM'000	RM'000	
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	197,655	161,577	22.3%	770,756	698,729	10.3%
Operating Profit	19,907	14,804	34.5%	69,176	62,657	10.4%
Share of results of an associate	5,616	3,893	44.3%	7,097	8,662	-18.1%
Finance Cost	(219)	(296)	-26.0%	(862)	(1,145)	-24.7%
Profit Before Tax	25,304	18,401	37.5%	75,411	70,174	7.5%
Profit After Tax	20,733	14,373	44.2%	59,436	56,011	6.1%

Review of Current Quarter Performance versus Corresponding Quarter Last Year

In the fourth quarter of 2021, Group operating subsidiaries recorded consolidated quarterly revenue of RM 197.7 million, 22.3% higher than the RM 161.6 million in the fourth quarter of 2020. Market demand for pharmaceuticals, consumer healthcare products and point of care diagnostics, especially from the private sector in Malaysia and Singapore as well as international markets, continued to improve with growing consumer confidence and activity as the number of daily new COVID-19 cases stabilize in key markets. Operating profit for the quarter is RM 19.9 million, an improvement of 34.5% over the same period last year.

Share of earnings from Penang based associate Straits Apex Group Sdn Bhd ('SAG') for the quarter is RM 5.6 million, 44.3% better than the RM 3.9 million contribution in Q4 2020, as the order backlog is progressively reduced with the normalization of production operations.

With strong earnings contributions from both subsidiaries and the associate, Group profit before tax for the fourth quarter rose to RM 25.3 million, 37.5% better than the RM 18.4 million achieved in the corresponding period in 2020. Group profit after tax for the quarter grew 44.2% to RM 20.7 million, up from RM 14.3 million in the same period last year.

Review of Year To Date Performance versus Corresponding Period Last Year

For 2021, Group operating subsidiaries achieved record consolidated revenue of RM 770.8 million, a growth of 10.3% when compared to the RM 698.7 million achieved in 2020. Good revenue growth was achieved because of steadily improving private sector consumer confidence and market demand in both domestic and international markets, successful market launches of newly developed products, the rapid sourcing and supply of new in-demand healthcare products in an evolving pandemic as well as rising contract manufacturing orders.

Despite higher revenue, most expense categories are lower than the same period in 2020 because of active cost management measures. Other income decreased 16.1% mainly because of reduced pandemic support grants from the Singapore Government. Finance costs incurred for 2021 is 24.7% lower compared to the corresponding period in 2020 as loans utilized for SPP NOVO continue to be paid down. Accordingly, year to date operating profit reached RM 69.2 million, 10.4% higher than the same period last year.

Share of earnings from associated company SAG for the full year is RM 7.1 million, 18.1% lower than the RM 8.7 million recognized in 2020 due to pandemic related production interruptions, higher fixed and operating costs from increased production capacity as well as rising freight costs for raw materials. Firm orders in hand for delivery to customers in 2022 continue to be secured and is significantly higher when compared to the same point last year.

A strong second half enabled Group profit before tax for 2021 to rise to a new high of RM 75.4 million, 7.5% higher than the RM 70.2 million achieved in the corresponding period in 2020. Similarly, Group profit after tax improved to RM 59.4 million, 6.1% better than 2020.

In line with the improved performance, the Board of Directors is recommending an increased final single-tier dividend of 3.0 sen per share (2020: 2.8 sen per share) in respect of financial year ended 31st December 2021 for shareholders' approval at the forthcoming Annual General Meeting. In addition, the Board of Directors is also proposing a special single-tier dividend of 6.0 sen per share for shareholders' approval at the same Annual General Meeting. This is to return funds in excess of current business needs, and to mark the 60th anniversary of the founding of the Group. Together with the interim dividend of 2.5 sen per share paid on 15 September 2021, total dividends in respect of financial year 2021 is 11.5 sen per share, a 155% increase over the total paid for financial year 2020.

**INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

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

B2 Material changes in the profit before tax for the quarter

	Current Quarter 31/12/2021	Immediate Preceding Quarter 30/09/2021	Changes	
	RM'000	RM'000	RM'000	(%)
Revenue	197,655	211,058	(13,403)	-6.4%
Operating Profit	19,907	18,285	1,622	8.9%
Share of results of an associate	5,616	472	5,144	1089.8%
Finance Cost	(219)	(206)	(13)	6.3%
Profit Before Tax	25,304	18,551	6,753	36.4%
Profit After Tax	20,733	14,004	6,729	48.1%

Profit before tax for the current quarter is RM 25.3 million, an increase of 36.4% when compared to RM 18.6 million achieved in the immediate preceding quarter. This is due to a greater percentage of higher margin products in the sales mix of the operating subsidiaries in the current quarter. Further, profit growth is also helped by an improved quarterly contribution of RM 5.6 million from the associate resulting from the normalization of production output in the fourth quarter.

B3 Commentary

a Prospects

In the last two financial years marked by the COVID-19 pandemic, the Group seized market opportunities through the rapid identification and supply of changing in-demand products in an evolving pandemic. Strategic initiatives implemented earlier to grow revenue through increased new product launches, contract manufacturing services, government tenders and exports have also enabled the Group to both diversify and grow its revenue base. These have all enabled the Group to achieve good revenue and profit growth despite challenging business circumstances brought about by the pandemic.

Looking ahead, in its Economic Report 2022, the Ministry of Finance expects the Malaysian economy to strengthen by 5.5% to 6.5% in 2022. This will support continued growth in demand for healthcare products and services, translating into improved sales across all the Group's business units well into 2022. However, economic prospects are now tempered by the rapid emergence and spread of the Omicron variant worldwide, leading to new border controls and heightened hygiene measures. Compounded by supply chain bottlenecks as well as persistently elevated energy, raw materials and freight costs, the operating environment for the Group's businesses is expected to stay difficult in 2022.

To sustain medium to long term earnings growth, the Group will stay focused on proven fundamentals, as well as leveraging the business experience gained operating in the last two pandemic affected years. Emphasis continues to be placed on securing commercially relevant and globally recognized manufacturing and distribution certifications, accelerating the research and development of new pharmaceutical and consumer healthcare products, identification and sourcing of new in-demand products to meet anticipated market demands, harmonizing and deepening the digitalization of Group business processes, building stronger social media presence and e-commerce capabilities, and opening new international markets for the Group's products and contract manufacturing services.

Further unforeseen market changes and developments aside, the Group expects to deliver another satisfactory performance in 2022 and remains confident that its longer-term growth prospects remain positive.

b Progress to achieve forecast revenue or profit estimate

Not applicable.

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

Not applicable.

B5 Profit Forecast /Profit Guarantee

Not applicable.

B6 Income Tax Expense

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
In respect of current period:				
Income tax	4,191	3,196	14,171	13,126
Deferred tax	627	859	427	(68)
Foreign tax	376	(182)	2,000	983
	<u>5,194</u>	<u>3,873</u>	<u>16,598</u>	<u>14,041</u>
In respect of prior period:				
Income tax	(897)	185	(897)	185
Foreign tax	274	(30)	274	(63)
	<u>4,571</u>	<u>4,028</u>	<u>15,975</u>	<u>14,163</u>

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

B6 Income Tax Expense (continued)

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

B7 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 16 February 2022.

B8 Group Borrowings and Debt Securities

	As at 31/12/2021		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Secured bank loans	9,500	5,857	15,357

	As at 31/12/2020		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Secured bank loans	-	21,214	21,214

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. On 5th December 2021, the loans were extended based on the same terms and conditions for another 3 years. Other than the above, there were no material changes in the amount of borrowings at the end of the current quarter compared to the end of the previous financial year ended 31 December 2020.

B9 Material Litigation

There was 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 3.0 sen (Year 2020: 2.8 sen) and a special dividend of 6.0 sen (Year 2020: nil sen) per share in respect of the financial year ended 31 December 2021 for shareholders' approval at the forthcoming Annual General Meeting.

b The total dividend paid to-date in the current financial year is 5.3 sen per share. (Year 2020: Single-tier dividend of 3.7 sen per share).

c Subject to the approval of shareholders at the forth coming Annual General Meeting of the Company, the final dividend and the special dividend will be paid on 16 June 2022 and the entitlement date is 2 June 2022.

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	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
<u>Basic Earnings per share</u>					
Profit after tax	RM'000	20,704	14,394	59,418	56,021
Weighted average number of ordinary shares in issue	'000	473,617	473,048	473,617	473,048
Basic earnings per share	sen	4.37	3.04	12.55	11.84
<u>Diluted Earnings per share</u>					
Profit after tax	RM'000	20,704	14,394	59,418	56,021
Weighted average number of ordinary shares in issue	'000	473,617	473,048	473,617	473,048
Effect of dilution-Share options	'000	574	1,818	574	1,818
Adjusted weighted average number of ordinary shares in issue	'000	474,191	474,866	474,191	474,866
Diluted earnings per share	sen	4.37	3.03	12.53	11.80

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 and payables.

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

B12 Derivative Financial Instruments (continued)

Type of Derivatives	Contract/ Notional Value	Fair Value
	31/12/2021 RM'000	31/12/2021 RM'000
i) Forward Foreign Currency Contract entered into for the export sales to Singapore - Less than 1 year	8,282	8,300
ii) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers - Less than 1 year	(1,730)	(1,720)
	6,552	6,580

No derivative was entered into by the Company which has not been disclosed in the preceding financial year or any quarters in the current financial year. Since the end of the previous financial year or any quarters in the current financial year, there was 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 6,552,000.

B13 Fair Value Changes of Financial Liabilities

As at 31 December 2021, the Group did 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 2020 was not qualified.

Authorisation for issue

The interim financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 23 February 2022.