

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2020

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
		31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Revenue		33,887	29,389	33,887	29,389
Cost of sales		(23,767)	(21,066)	(23,767)	(21,066)
Gross profit		10,120	8,323	10,120	8,323
Other operating income		265	243	265	243
Distribution costs		(2,347)	(1,951)	(2,347)	(1,951)
Administration expenses		(4,439)	(3,588)	(4,439)	(3,588)
Finance costs		(364)	(226)	(364)	(226)
Profit before tax		3,235	2,801	3,235	2,801
Tax expense	B5	(925)	(543)	(925)	(543)
Profit for the financial period		2,310	2,258	2,310	2,258
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,310	2,258	2,310	2,258
Profit attributable to:					
Owners of the parent		2,310	2,258	2,310	2,258
Non-controlling interest		-	-	-	-
		2,310	2,258	2,310	2,258
Total comprehensive income attributable to:					
Owners of the parent		2,310	2,258	2,310	2,258
Non-controlling interest		-	-	-	-
		2,310	2,258	2,310	2,258
Earnings per ordinary share attributable to owners of the parent:					
- Basic (sen)	B14	1.26	1.25	1.26	1.25
- Diluted (sen)	B14	1.26	1.25	1.26	1.25

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	As at 31/03/2020 RM'000	Audited As at 31/12/2019 RM'000
Non-current asset			
Property, plant and equipment		59,397	57,660
Right-of-use assets		11,918	12,050
Investment property		5,642	5,653
Other investment	B8	26	40
		<u>76,983</u>	<u>75,403</u>
Current assets			
Inventories		29,395	33,819
Trade and other receivables		37,612	30,411
Current tax assets		169	43
Cash and bank balances and short term funds		8,544	9,209
		<u>75,720</u>	<u>73,482</u>
Total assets		<u>152,703</u>	<u>148,885</u>
Equity attributable to owners of the parent			
Share capital		92,114	92,114
Reorganisation debit balance	B16	(59,489)	(59,489)
Retained earnings		77,019	74,709
Total equity		<u>109,644</u>	<u>107,334</u>
Non-current liabilities			
Borrowings	B9	30,858	25,221
Deferred tax liabilities		342	342
		<u>31,200</u>	<u>25,563</u>
Current Liabilities			
Trade and other payables		8,399	12,953
Borrowings	B9	2,066	2,066
Lease liabilities		101	191
Current tax liabilities		1,293	778
		<u>11,859</u>	<u>15,988</u>
Total liabilities		<u>43,059</u>	<u>41,551</u>
Total equity and liabilities		<u>152,703</u>	<u>148,885</u>
Net assets per share attributable to owners of the parent (RM)	B15	0.60	0.59

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2020

	<----- Attributable to owners of the parent ----->					Total equity RM'000
	Share capital RM'000	Reorganisation debit balance RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non- controlling interest RM'000	
Balance as at 1 January 2020	92,114	(59,489)	74,709	107,334	-	107,334
Profit for the financial period	-	-	2,310	2,310	-	2,310
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	2,310	2,310	-	2,310
Transactions with owners:						
Dividends paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 31 March 2020	92,114	(59,489)	77,019	109,644	-	109,644
Balance as at 1 January 2019	92,114	(59,489)	71,569	104,194	-	104,194
Effects of adoption of MFRS 16	-	-	(18)	(18)	-	(18)
Balance as at 1 January 2019, as restated	92,114	(59,489)	71,551	104,176	-	104,176
Profit for the financial period	-	-	2,258	2,258	-	2,258
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	2,258	2,258	-	2,258
Transactions with owners:						
Dividends paid	-	-	(1,826)	(1,826)	-	(1,826)
Total transactions with owners	-	-	(1,826)	(1,826)	-	(1,826)
Balance as at 31 March 2019	92,114	(59,489)	71,983	104,608	-	104,608

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

	Current year- to-date 31/03/2020 RM'000	Preceding year-to-date 31/03/2019 RM'000
Cash flows from operating activities		
Profit before tax	3,235	2,801
Adjustments for:		
Depreciation	311	236
Inventories written (back)/off	(109)	187
Inventories written down	80	180
Impairment loss on receivables	-	120
Impairment loss on other investment	14	-
Interest expense	364	226
Interest income	(51)	(84)
Unrealised loss on foreign currency exchange	255	61
Operating profit before working capital changes	<u>4,099</u>	<u>3,727</u>
Changes in working capital:		
Inventories	4,454	(2,764)
Trade and other receivables	(7,201)	7,066
Trade and other payables	<u>(4,809)</u>	<u>(3,911)</u>
Cash (used in)/generated from operations	<u>(3,457)</u>	<u>4,118</u>
Tax paid	<u>(536)</u>	<u>(528)</u>
Net cash (used in)/from operating activities	<u>(3,993)</u>	<u>3,590</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,984)	(9,864)
Interest received	51	84
Net cash used in investing activities	<u>(1,933)</u>	<u>(9,780)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of borrowings	5,637	(548)
Interest paid	(364)	(226)
Dividend paid	-	(1,826)
Payment of lease liabilities	<u>(12)</u>	<u>-</u>
Net cash from/(used in) financing activities	<u>5,261</u>	<u>(2,600)</u>
Net decrease in cash and cash equivalents	(665)	(8,790)
Cash and cash equivalents at beginning of financial period	<u>9,209</u>	<u>24,435</u>
Cash and cash equivalents at end of financial period	<u><u>8,544</u></u>	<u><u>15,645</u></u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

A2. Significant accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2019, except for the adoption of the following amendments to MFRSs during the financial period:

- *Amendments to References to the Conceptual Framework in MFRS Standards*
- *Amendments to MFRS 3 Definition of a Business*
- *Amendments to MFRS 101 and MFRS 108 Definition of Material*
- *Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform*

The adoption of the above amendments had no significant impact to the financial statements of the Group.

A3. Auditors’ report

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2019.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal and cyclical factors during the current quarter and financial year-to-date under review.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date under review.

A6. Changes in estimates

There were no changes in estimates that have a material effect in the current quarter and financial year-to-date under review.

A7. Debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial year-to-date under review.

A8. Dividend

There was no dividend paid during the current quarter and financial year-to-date under review.

A9. Segmental information

The Group's operating segments are animal health products, food ingredients and others. These operating segments are required to be organised and managed separately according to the nature of products and services as well as specific expertise which require different business and marketing strategies. The segmental results are as follows:

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year- to-date	Preceding year-to-date
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Revenue				
Animal health products	24,199	22,223	24,199	22,223
Food ingredients	8,979	6,595	8,979	6,595
Others	709	571	709	571
	<u>33,887</u>	<u>29,389</u>	<u>33,887</u>	<u>29,389</u>
Profit before tax				
Animal health products	1,853	2,329	1,853	2,329
Food ingredients	1,016	425	1,016	425
Others	366	47	366	47
	<u>3,235</u>	<u>2,801</u>	<u>3,235</u>	<u>2,801</u>

A10. Property, plant and equipment

(i) Acquisitions and disposals

There were no material acquisitions and disposals during the current quarter and financial year-to-date under review.

(ii) Impairment losses

There were no material impairment losses during the current quarter and financial year-to-date under review.

(iii) Valuation

The Group has not carried out any valuation on its property, plant and equipment during the current quarter and financial year-to-date under review.

A11. Material events subsequent to the end of the quarter

Save for the increase in issued share capital of the Company pursuant to a private placement of 12,980,589 new ordinary shares in the Company as detailed in Note B7 of this report, there were no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date under review.

A13. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at the date of this report.

A14. Capital commitments

The capital commitments of the Group as at the end of the quarter under review were as follows:

	RM'000
Approved and contracted for:	
- Construction of GMP-compliant plant in Nilai, Negeri Sembilan	6,994
- Machineries and equipment	4,236
	<u>11,230</u>

A15. Significant related party transactions

There were no significant related party transactions during the current quarter and financial year-to-date under review.

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

The Group recorded revenue of approximately RM33.89 million for the current quarter, an increase of approximately RM4.50 million compared to the revenue of approximately RM29.39 million in the preceding year's corresponding quarter. Revenue from animal health products increased by approximately RM1.98 million from approximately RM22.22 million in the preceding year's corresponding quarter to approximately RM24.20 million in the current quarter. Revenue from food ingredients increased by approximately RM2.38 million from approximately RM6.60 million in the preceding year's corresponding quarter to approximately RM8.98 million in the current quarter.

Despite the approximately RM4.50 million increase in revenue, the Group's profit before tax for the current quarter of approximately RM3.24 million was only approximately RM0.44 million higher compared to the profit before tax of approximately RM2.80 million reported for the preceding year's corresponding quarter as a result of the increase in distribution costs of approximately RM0.40 million, higher administration expenses of approximately RM0.85 million and increase in finance costs of approximately RM0.14 million. Additional distribution expenditures were incurred for promotional activities conducted for animal health products as well as product related trials during the current quarter. The increase in administration expenses was mainly due to higher foreign currency exchange loss of approximately RM0.30 million during the current quarter and the fact that there was a reversal of over provision in prior year's staff costs of approximately RM0.29 million during the preceding year's corresponding quarter.

B2. Material changes in the quarterly results compared to the immediate preceding quarter

The Group's revenue of approximately RM33.89 million for the current quarter was approximately RM3.00 million higher compared to the revenue of approximately RM30.89 million reported for the preceding quarter. Revenue from animal health products increased by approximately RM2.25 million from approximately RM21.95 million in the preceding quarter to approximately RM24.20 million in the current quarter. Revenue from food ingredients increased by approximately RM0.76 million from approximately RM8.22 million in the preceding year's corresponding quarter to approximately RM8.98 million in the current quarter.

Despite the approximately RM3.00 million increase in revenue, the Group's profit before tax for the current quarter of approximately RM3.24 million was only RM0.01 million higher compared to the profit before tax of approximately RM3.23 million reported for the preceding quarter. This was mainly due to the current quarter foreign currency exchange loss of approximately RM0.31 million compared to the foreign currency exchange gain of approximately RM0.53 million recorded in the preceding quarter.

B3. Prospects

The continued expansion of our capacity and operations through our future plans would provide a platform to grow and sustain our business. The Group will continue to focus on strengthening its production capabilities, product competitiveness and market position, while constantly seeking ways to mitigate the risks associated with its business. The Group will also continue to improve its internal controls and processes based on prudent management practices.

In addition to improving on current operations, the Group is vigilant in identifying new business opportunities that has the potential for continuous growth and expansion.

Accordingly, the Group has proposed to undertake the acquisitions of One Lazuli Sdn Bhd (“OLSB”), Nor Lazuli Nutrition Sdn Bhd (“NLN”) and Nor Livestock Farm Sdn Bhd (“NLF”) in view of the favourable outlook of the livestock industry and dairy industry in Malaysia. The proposed acquisitions are in line with the Group’s strategy to tap into other segment of the animal health products i.e. ruminant segment and to venture into other related businesses with growth prospects in order to deliver positive and sustainable growth to its shareholders. Upon completion of the proposed acquisitions, the Group would be able to broaden its product offerings, gain immediate increase in market share in the ruminant segment and create new revenue stream in the future. This is expected to contribute positively to the Group’s future earnings and enhance its financial performance in the medium to long term.

The Board believes that with the completion of the proposed acquisitions as well as our forward looking strategy of continuing to improve on our operating efficiency and effectiveness and investing in our people’s development and training whilst operating responsibly, we are well placed to meet the challenges ahead and perform within expectations.

The Covid-19 pandemic that has been sweeping the globe in recent times has been anticipated to have a negative impact on the Malaysian macro-economy as well as on the economic welfare of its population. The main sources of the economic damage in Malaysia are two-fold; the first is the knock-on effect from the impacts of the Covid-19 virus abroad and the second is generated domestically due to the movement control measures imposed by the government. Notwithstanding these developments, the Group which is actively involved in the animal health and nutrition market which is within the ambit of the food industry’s supply chain is cautiously optimistic of the minimal impact the pandemic will have on our operations as well as our performance.

B4. Profit forecast

The Group has not issued any profit forecast in any form of public documentation and announcement.

B5. Tax expense

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2020 RM’000	Preceding year quarter 31/03/2019 RM’000	Current year-to-date 31/03/2020 RM’000	Preceding year-to-date 31/03/2019 RM’000
Current tax				
Current year	925	543	925	543

The effective tax rates of the Group for the current quarter and financial year-to-date of 28.59% was higher than the statutory tax rate of 24.00% due mainly to expenses non-allowable for tax purposes.

B6. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2020 RM'000	Preceding year quarter 31/03/2019 RM'000	Current year-to-date 31/03/2020 RM'000	Preceding year-to-date 31/03/2019 RM'000
Profit before tax is arrived at after charging / (crediting):				
Depreciation	311	236	311	236
Inventories written (back)/off	(109)	187	(109)	187
Inventories written down	80	180	80	180
Impairment loss on receivables	-	120	-	120
Impairment loss on other investment	14	-	14	-
Interest expense	364	226	364	226
Loss on foreign currency exchange	314	18	314	18
Interest income	(51)	(84)	(51)	(84)

Save for the above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B7. Status of corporate proposals

On 21 February 2020, Public Investment Bank Berhad (“PIVB”) on behalf of the Board of Directors of the Company (“Board”) announced that the Company had entered into the following agreements:

- (i) a conditional share sale agreement with Raja Mariam Binti Raja Rustam Shahrome (“Raja Mariam”) for the proposed acquisition of 1,225,000 ordinary shares in OLSB, representing 49% equity interest in OLSB for a purchase consideration of RM5,390,000 which will be satisfied via a combination of cash of RM1,800,000 and the remaining balance of RM3,590,000 through the issuance of new ordinary shares in the Company (“Consideration Shares”) at an issue price of RM0.68 each (“Proposed Acquisition of OLSB”);
- (ii) a profit guarantee agreement with Raja Mariam as guarantor and Messrs Chellam Wong as stakeholder in relation to the Proposed Acquisition of OLSB whereby Raja Mariam provided a guarantee that the audited profit after tax (“PAT”) of OLSB for financial years ending 31 December 2020 and 31 December 2021 shall not be less than RM2,000,000 each;
- (iii) a conditional share sale agreement with OLSB for the proposed acquisition of 588,000 ordinary shares in NLN, representing 49% equity interest in NLN for a cash consideration of RM1,750,000 (“Proposed Acquisition of NLN”);
- (iv) a conditional share sale agreement with Nor Hazimah Binti Zabrudin (“Nor Hazimah”) for the proposed acquisition of 490,000 ordinary shares in NLF, representing 49%

equity interest in NLF for a cash consideration of RM700,000 (“Proposed Acquisition of NLF”); and

- (v) a profit guarantee agreement with Raja Mariam, the existing major shareholder of OLSB and Nor Hazimah as guarantors and Messrs Chellam Wong as stakeholder in relation to the Proposed Acquisition of NLN and Proposed Acquisition of NLF, whereby Raja Mariam and Nor Hazimah jointly provided a guarantee that the total audited PAT of NLN and NLF for financial years ending 31 December 2020, 31 December 2021 and 31 December 2022 shall not be less than RM500,000, RM700,000 and RM900,000, respectively.

(The Proposed Acquisition of OLSB, Proposed Acquisition of NLN and Proposed Acquisition of NLF are collectively referred to as the “Proposed Acquisitions”).

In addition, on behalf of the Board, PIVB also announced a proposed private placement of up to 12,980,589 new ordinary shares in the Company (“Placement Shares”) representing up to 7.11% of the total number of issued shares in the Company at an issue price to be determined and announced later (“Proposed Private Placement”).

On 28 February 2020, the Company submitted an application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing application pursuant to the Proposed Acquisitions and Proposed Private Placement.

On 10 March 2020, Bursa Securities had, via its letter, approved the listing of 5,279,411 Consideration Shares to be issued pursuant to the Proposed Acquisition of OLSB and up to 12,980,589 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the fulfilment of certain conditions.

On 26 March 2020, the Company fixed the issue price for 12,980,589 Placement Shares at RM0.63 per Placement Share.

On 2 April 2020, the Company announced that the latest issued share capital after the Proposed Private Placement amounted to RM100,292,006, representing 195,580,589 ordinary shares of the Company.

The Proposed Private Placement has been completed on 3 April 2020 following the listing of and quotation for 12,980,589 Placement Shares on the Main Market of Bursa Securities on even date.

Save for the above, there is no corporate proposal announced but not completed as at the date of this report.

B8. Other investment

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Financial asset at fair value through profit or loss		
Quoted shares in Malaysia	50	50
Less: Impairment loss	<u>(24)</u>	<u>(10)</u>
	<u>26</u>	<u>40</u>

B9. Borrowings

The Group's borrowings are as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Non-current liabilities (secured)		
Term loans	<u>30,858</u>	<u>25,221</u>
Current liabilities (secured)		
Term loans	<u>2,066</u>	<u>2,066</u>
Total borrowings	<u><u>32,924</u></u>	<u><u>27,287</u></u>

All borrowings are denominated in Ringgit Malaysia.

B10. Material litigation

There was no litigation which has a material effect on the financial position of the Group and the Board was not aware of any proceedings pending or of any fact likely to give rise to any proceedings as at the date of this report.

B11. Dividend

The Directors proposed a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019, subject to the approval of members at the forthcoming Annual General Meeting. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

B12. Derivative financial instruments

The Group does not have any derivative financial instruments as at the end of the current quarter.

B13. Gains/losses arising from fair value changes of financial liabilities

There were no material gains or losses arising from fair value changes of financial liabilities during the current quarter and financial year-to-date under review.

B14. Earnings per share

(a) Basic earnings per share

Basic earnings per share is computed based on the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue for the period under review.

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit attributable to owners of the parent (RM'000)	2,310	2,258	2,310	2,258
Weighted average number of ordinary shares in issue ('000)	182,600	181,309	182,600	181,309
Basic earnings per share (sen)	1.26	1.25	1.26	1.25

(b) Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no outstanding dilutive potential ordinary shares at the end of each reporting period.

B15. Net assets per share

Net assets per share attributable to owners of the parent is arrived at by dividing the total equity attributable to owners of the parent at the end of the financial period by the number of ordinary shares in issue at the end of the financial period.

	As at 31/03/2020	As at 31/12/2019
Total equity attributable to owners of the parent (RM'000)	109,644	107,334
Number of ordinary shares in issue ('000)	182,600	182,600
Net assets per share attributable to owners of the parent (RM)	0.60	0.59

B16. Reorganisation debit balance

The reorganisation debit balance arose from the acquisition of RMM on 28 September 2016 based on the difference between the share capital issued by the Company and the share capital issued by RMM amounting to approximately RM59.49 million.