

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
		30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Revenue		45,166	46,830	93,710	93,051
Cost of sales		(32,049)	(34,347)	(66,801)	(66,648)
Gross profit		13,117	12,483	26,909	26,403
Other operating income		68	757	128	923
Distribution costs		(3,275)	(3,782)	(5,626)	(6,303)
Administration expenses		(6,186)	(4,562)	(13,146)	(10,872)
Finance costs		(486)	(392)	(928)	(800)
Profit before tax		3,238	4,504	7,337	9,351
Tax expense	B5	(973)	(1,200)	(2,171)	(2,517)
Profit for the financial period		2,265	3,304	5,166	6,834
Other comprehensive income, net of tax		(9)	-	(8)	-
Total comprehensive income		2,256	3,304	5,158	6,834
Profit attributable to:					
Owners of the parent		2,569	3,019	5,695	6,475
Non-controlling interests		(304)	285	(529)	359
		2,265	3,304	5,166	6,834
Total comprehensive income attributable to:					
Owners of the parent		2,560	3,019	5,687	6,475
Non-controlling interests		(304)	285	(529)	359
		2,256	3,304	5,158	6,834
Earnings per ordinary share attributable to owners of the parent:					
- Basic (sen)	B15	1.16	1.36	2.57	3.03
- Diluted (sen)	B15	0.85	1.00	1.89	2.21

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 2022 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	As at 30/06/2023 RM'000	Audited As at 31/12/2022 RM'000
Non-current asset			
Property, plant and equipment		77,428	77,601
Right-of-use assets		10,586	10,839
Investment property		5,503	5,525
Biological assets		3,286	3,600
Goodwill		3,941	3,941
Investment in a joint venture		525	-
Other investment	B9	71	70
		<u>101,340</u>	<u>101,576</u>
Current assets			
Inventories		58,584	60,831
Trade and other receivables		41,472	37,930
Current tax assets		778	454
Cash and bank balances and short term funds		15,319	18,644
		<u>116,153</u>	<u>117,859</u>
Total assets		<u><u>217,493</u></u>	<u><u>219,435</u></u>
Equity			
Share capital		117,272	117,272
Reorganisation debit balance	B17	(59,489)	(59,489)
Exchange translation reserve		(5)	3
Retained earnings		101,244	95,549
Total attributable to owners of the parent		<u>159,022</u>	<u>153,335</u>
Non-controlling interests		9,158	9,687
Total equity		<u>168,180</u>	<u>163,022</u>
Non-current liabilities			
Borrowings	B10	20,293	20,662
Lease liabilities		142	260
Deferred tax liabilities		1,704	1,704
Deferred income		79	86
		<u>22,218</u>	<u>22,712</u>
Current Liabilities			
Trade and other payables		13,510	24,565
Borrowings	B10	11,408	8,054
Lease liabilities		239	260
Deferred income		14	14
Current tax liabilities		1,924	808
		<u>27,095</u>	<u>33,701</u>
Total liabilities		<u>49,313</u>	<u>56,413</u>
Total equity and liabilities		<u><u>217,493</u></u>	<u><u>219,435</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2023 (CONTINUED)**

	Note	As at 30/06/2023	Audited As at 31/12/2022
Net assets per share attributable to owners of the parent (RM)	B16	0.72	0.69

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 2022 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	<----- Non-distributable ----->		<----- Distributable ----->		Total attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Reorganisation debit balance RM'000	Exchange translation reserve RM'000	Retained earnings RM'000			
Balance as at 1 January 2023	117,272	(59,489)	3	95,549	153,335	9,687	163,022
Profit for the financial period	-	-	-	5,695	5,695	(529)	5,166
Other comprehensive income, net of tax	-	-	(8)	-	(8)	-	(8)
Total comprehensive income	-	-	(8)	5,695	5,687	(529)	5,158
Transactions with owners:							
Dividends paid	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Balance as at 30 June 2023	117,272	(59,489)	(5)	101,244	159,022	9,158	168,180
Balance as at 1 January 2022	103,618	(59,489)	-	87,236	131,365	7,788	139,153
Profit for the financial period	-	-	-	6,475	6,475	359	6,834
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	6,475	6,475	359	6,834
Transactions with owners:							
Issuance of ordinary shares - private placement	13,458	-	-	-	13,458	-	13,458
Issuance of ordinary shares - exercise of warrants	196	-	-	-	196	-	196
Total transactions with owners	13,654	-	-	-	13,654	-	13,654
Balance as at 30 June 2022	117,272	(59,489)	-	93,711	151,494	8,147	159,641

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 2022 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
Cash flows from operating activities		
Profit before tax	7,337	9,351
Adjustments for:		
Depreciation	1,816	1,840
Inventories written off	495	108
Inventories written down/(back)	510	(202)
(Reversal)/Impairment losses on trade receivables	(120)	92
Fair value changes on other investment	(1)	-
Interest expense	928	800
Loss on disposal of biological assets	57	24
Fair value changes on biological assets	114	(229)
Interest income	(80)	(53)
Unrealised loss on foreign currency exchange	362	217
Operating profit before working capital changes	<u>11,418</u>	<u>11,948</u>
Changes in working capital:		
Inventories	1,243	(15,915)
Trade and other receivables	(3,423)	945
Trade and other payables	<u>(11,432)</u>	<u>3,364</u>
Cash (used in)/generated from operations	(2,194)	342
Tax paid	<u>(1,379)</u>	<u>(1,724)</u>
Net cash used in operating activities	<u>(3,573)</u>	<u>(1,382)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,370)	(983)
Interest received	80	53
Acquisition of quoted shares	-	(50)
Investment in a joint venture	(525)	-
Proceeds from disposal of biological assets	<u>144</u>	<u>54</u>
Net cash used in investing activities	<u>(1,671)</u>	<u>(926)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of borrowings	2,986	(740)
Interest paid	(917)	(791)
Payment of lease liabilities	(150)	(176)
Proceeds from issuance of shares	-	13,654
Net cash from financing activities	<u>1,919</u>	<u>11,947</u>
Net (decrease)/increase in cash and cash equivalents	(3,325)	9,639
Cash and cash equivalents at beginning of financial period	<u>18,644</u>	<u>20,620</u>
Cash and cash equivalents at end of financial period	<u>15,319</u>	<u>30,259</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 2022 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 2022 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

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 2022, except for the adoption of the following amendments to MFRSs during the financial year:

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 -Comparative Information*
- Amendments to MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred tax related to Assets and Liabilities arising from a Single Transaction*

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 2022.

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 was 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 under review.

On 15 December 2022, the Board of Directors declared an interim single tier dividend of 1.0 sen per ordinary share totalling RM2.21 million in respect of the financial year ended 31 December 2022, which had been paid on 16 January 2023 to shareholders registered at the close of business on 3 January 2023. The dividend had been accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2022.

A9. Segmental information

The Group's operating segments are animal health products and equipment, 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 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year- to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
Revenue				
Animal health products and equipment	31,817	36,219	70,008	70,431
Food ingredients	12,172	9,473	21,376	18,165
Others	1,177	1,138	2,326	4,455
	<u>45,166</u>	<u>46,830</u>	<u>93,710</u>	<u>93,051</u>
Profit before tax				
Animal health products and equipment	495	3,930	5,429	7,862
Food ingredients	3,474	732	3,431	1,783
Others	(731)	(158)	(1,523)	(294)
	<u>3,238</u>	<u>4,504</u>	<u>7,337</u>	<u>9,351</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

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

On 8 February 2023, our 49%-owned subsidiary, A2F, subscribed for 525,000 ordinary shares in JDV at the subscription price of RM1.00 per share, representing 35% equity interest in JDV while Kulim holds the remaining 65% equity interest in JDV. JDV is a joint venture company incorporated to undertake the project to develop, operate and manage a dairy project in Sungai Ambat, Jemaluang, Mersing, Johor in collaboration with ECERDC.

On 13 April 2023, A2F incorporated a wholly-owned subsidiary known as Gemas Agro Ventures Sdn Bhd which intended principal activities comprise the buying, selling, renting or leasing of any land or building for business purpose. The company is currently dormant.

Save for the above, there were no other 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:	
- Machineries and equipment	450
- Milk processing plant	3,548
	<u>3,998</u>

A15. Significant related party transactions

The related party transactions during the current quarter and financial year-to-date under review are as follows:

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2023 RM'000	Preceding year quarter 30/06/2022 RM'000	Current year-to-date 30/06/2023 RM'000	Preceding year-to-date 30/06/2022 RM'000
Nor Livestock Farm Sdn Bhd rents a farm land from Raja Mariam Binti Raja Rustam Shahrome ("RMRRS"), Dr Mai Lam @ Rosli Mai Lam ("ML") and Melissa Aini Mai ("MAM")	8	8	15	15
Nor Lazuli Nutrition Sdn Bhd rents a factory building from RMRRS, ML and MAM	8	8	15	15
One Lazuli Sdn Bhd rents an office space from RMRRS	45	45	90	90
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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 RM45.17 million for the current quarter, a decrease of approximately RM1.66 million compared to the revenue of approximately RM46.83 million in the preceding year's corresponding quarter. Revenue from animal health products and equipment decreased by approximately RM4.40 million from approximately RM36.22 million in the preceding year's corresponding quarter to approximately RM31.82 million in the current quarter. The decrease was offset by an increase in revenue from food ingredients of approximately RM2.70 million from approximately RM9.47 million in the preceding year's corresponding quarter to approximately RM12.17 million in the current quarter.

Consequent to the decrease in revenue, the Group's profit before tax for the current quarter of approximately RM3.24 million was approximately RM1.26 million lower compared to the profit before tax of approximately RM4.50 million reported for the preceding year's corresponding quarter.

For the financial year-to-date under review, the Group recorded revenue of approximately RM93.71 million, an increase of approximately RM0.66 million compared to the revenue of approximately RM93.05 million in the corresponding period of the preceding year. Revenue from food ingredients increased by approximately RM3.21 million from approximately RM18.17 million in the corresponding period of the preceding year to approximately RM21.38 million in the current period. However, the increase was offset by a decrease in revenue from animal health products and equipment of approximately RM0.42 million from approximately RM70.43 million in the corresponding period of the preceding year to approximately RM70.01 million in the current period and also a decrease in revenue from dairy business which is segmented under others, of approximately RM1.61 million from approximately RM2.25 million in the preceding year's corresponding period to approximately RM0.64 million in the current period.

Despite the marginal increase in revenue, the Group's profit before tax for the financial year-to-date under review of approximately RM7.34 million was approximately RM2.01 million lower compared to the profit before tax of approximately RM9.35 million reported for the preceding year's corresponding period as profit contribution shifted from the higher margin animal health products and equipment to the lower margin food ingredients.

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

The Group's revenue of approximately RM45.17 million for the current quarter was approximately RM3.37 million lower compared to the revenue of approximately RM48.54 million reported for the preceding quarter. Revenue from animal health products and equipment decreased by approximately RM6.37 million from approximately RM38.19 million in the preceding quarter to approximately RM31.82 million in the current quarter. The decrease was partially offset by an increase in revenue from food ingredients of approximately RM2.97 million from approximately RM9.20 million in the preceding quarter to approximately RM12.17 million in the current quarter.

In line with the decrease in revenue, the Group's profit before tax for the current quarter of approximately RM3.24 million was approximately RM0.86 million lower compared to the profit before tax of approximately RM4.10 million reported for the preceding quarter.

B3. Prospects

The market continues to recover and the Malaysian economy is growing at a rapid pace. The strong hike in GDP was mainly contributed by the reopening catalysts coupled with the low base effect from the previous year. As the economy normalises post pandemic, the impact of domestic reopening benefits will gradually diminish and the anticipated challenging global environment will most likely moderate the country's GDP growth in 2023 in line with the subdued world economic growth.

Meanwhile, in contrast to this, the global animal health market is expected to grow owing to the global increase in livestock, followed by the upsurge in several types of animal diseases worldwide. Other key growth drivers include the increasing number of pet ownership and demand for animal healthcare commodities especially nutrition, vaccines and medicines. At the same time, the global food ingredients industry is also expected to grow. The increase in the awareness of fitness within the society and the growing number of health-conscious consumers are expected to drive the market for food ingredients.

In line with the projected growth of these industries we operate in, we remain assured that this combined with our governance, strategy and policies will guide the Group to achieve positive results. Our risk management policies and procedures will assist us in identifying, monitoring, and responding to key risks, allowing us to capture opportunities when they arise. In the face of adversities, we trust our strategies will navigate the way forward as our prospects remain positive.

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	Preceding year quarter	Current year-to-date	Preceding year-to-date
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current year	976	1,200	2,174	2,517
Over provision in prior years	(3)	-	(3)	-
	<u>973</u>	<u>1,200</u>	<u>2,171</u>	<u>2,517</u>

The effective tax rates of the Group for the current quarter and financial year-to-date of 30.05% and 29.59% respectively were higher than the statutory tax rate of 24.00% as certain subsidiaries were in loss making positions and that certain expenses were not allowable for tax purposes.

B6. Notes to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/ (crediting):				
Depreciation	916	934	1,816	1,840
Inventories written off	253	61	495	108
Inventories written down/ (back)	255	(321)	510	(202)
Impairment losses/ (Reversal) on trade receivables	90	2	(120)	92
Fair value changes on other investment	3	-	(1)	-
Interest expense	486	392	928	800
Loss on disposal of biological assets	35	11	57	24
Fair value changes on biological assets	83	(115)	114	(229)
Interest income	(37)	(23)	(80)	(53)
Loss/(gain) on foreign currency exchange	282	(201)	543	(86)

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

There is no corporate proposal announced but not completed as at the date of this report.

B8. Utilisation of proceeds

The status of utilisation of proceeds of approximately RM13.46 million from the Company's Private Placement of 20,086,000 new ordinary shares at RM0.67 each as at the end of the quarter under review is as follows:

Details of the utilisation of proceeds	Proposed utilisation	Actual utilisation	Deviation	Balance unutilised	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000	
Establishment of a milk processing plant	7,500	(3,782)	-	3,718	Within 36 months
Marketing expenses	2,500	-	-	2,500	Within 36 months
Working capital	3,008	(3,050)	42 ⁽¹⁾	-	Within 12 months
Estimated expenses for the Private Placement	450	(408)	(42) ⁽¹⁾	-	Within 1 month
Total	13,458	(7,240)	-	6,218	

Note:

- (1) The actual expenses incurred for the Private Placement were less than the estimated expenses by approximately RM0.04 million due mainly to lower than expected incidental charges incurred in conjunction with the Private Placement. The surplus of funds for the payment of expenses for the Private Placement were adjusted to the amount allocated for working capital.

The utilisation of the proceeds as disclosed above should be read in conjunction with the Company's announcements dated 8 February 2022 and 11 February 2022.

B9. Other investment

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
Financial asset at fair value through profit or loss		
Quoted shares in Malaysia	100	100
Less: Impairment loss	<u>(29)</u>	<u>(30)</u>
	<u>71</u>	<u>70</u>

B10. Borrowings

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
Non-current liabilities (secured)		
Term loans	<u>20,293</u>	<u>20,662</u>
Current liabilities (secured)		
Bank overdrafts	4,875	1,521
Revolving credits	3,000	3,000
Term loans	<u>3,533</u>	<u>3,533</u>
	<u>11,408</u>	<u>8,054</u>
Total borrowings	<u><u>31,701</u></u>	<u><u>28,716</u></u>

All borrowings are denominated in Ringgit Malaysia.

B11. 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.

B12. Dividend

A final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2022 was approved by shareholders at the Company's Annual General Meeting on 13 June 2023. The dividend was paid on 17 July 2023 and had been accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

B13. Derivative financial instruments

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

B14. 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.

B15. Earnings per share

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2023	Preceding year quarter 30/06/2022	Current year-to-date 30/06/2023	Preceding year-to-date 30/06/2022
Profit attributable to owners of the parent (RM'000)	2,569	3,019	5,695	6,475
Weighted average number of ordinary shares in issue ('000)	221,226	221,214	221,226	213,534
Shares under warrant deemed to have been issued for no consideration ('000)	80,064	80,064	80,064	80,064
Weighted average number of ordinary shares for computing diluted earnings per share ('000)	301,290	301,278	301,290	293,598
Earnings per share				
- Basic (sen)	1.16	1.36	2.57	3.03
- Diluted (sen)	0.85	1.00	1.89	2.21

B16. 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 30/06/2023	As at 31/12/2022
Total equity attributable to owners of the parent (RM'000)	159,022	153,335
Number of ordinary shares in issue ('000)	221,226	221,226
Net assets per share attributable to owners of the parent (RM)	0.72	0.69

B17. 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.