

PART A – Explanatory Notes Pursuant to MFRS 134 – Paragraph 16

A1. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018. 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 year ended 31 March 2018.

In the current financial year ending 31 March 2019, the Group has adopted the Malaysian Financial Reporting Standards (MFRS) Framework for the first time. The date of transition to the MFRS Framework was on 1 April 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:-

a) Property, plant and equipment

Upon first time adoption of the MFRS Framework, the Group has elected to use the previous revaluation of the freehold and leasehold land and certain buildings classified under property, plant and equipment as deemed cost. Accordingly, the carrying amounts of these property, plant and equipment as at the date of transition have not been restated. The revaluation reserve as at the date of transition was transferred to retained earnings.

b) Biological assets and produce inventories

With the adoption of MFRS 141: Agriculture, biological assets and produce inventories within the scope of MFRS 141 are measured at fair value less costs to sell with fair value changes recognized in profit or loss.

c) Investment securities

Upon adoption of MFRS Framework, under MFRS 9: Financial Instruments, the Group has elected to account for the subsequent changes of fair value and any gain or loss on disposal of an investment in marketable securities in other comprehensive income. The changes are carried in the Fair Value through Other Comprehensive Income (“FVTOCI”) reserve in equity.

The effects of the adoption of transition from FRSs to MFRSs are as follows:

	Previously stated under FRS RM'000	Effects on adoption of MFRS RM'000	Restated under MFRS RM'000
<u>As at 31 March 2018</u>			
Non-current assets			
Property, plant and equipment	97,597	(157)	97,440
Current assets			
Biological assets - livestocks	13,873	918	14,791
Inventories - produce inventories	720	90	810
Non-current liabilities			
Deferred tax liabilities	6,888	204	7,092
Equity			
Asset revaluation reserve	37,295	(37,295)	-
Available-for-sale reserve	1,080	(1,080)	-
FVTOCI reserve	-	553	553
Retained profits	127,806	38,469	166,275
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<u>As at 1 April 2017</u>			
Non-current assets			
Property, plant and equipment	97,333	(51)	97,282
Current assets			
Biological assets - livestocks	14,321	1,326	15,647
Inventories - produce inventories	880	106	986
Non-current liabilities			
Deferred tax liabilities	7,170	331	7,501
Equity			
Asset revaluation reserve	37,310	(37,310)	-
Available-for-sale reserve	7,416	(7,416)	-
FVTOCI reserve	-	7,416	7,416
Retained profits	127,864	38,360	166,224
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The effects of the adoption of transition from FRSs to MFRSs are as follows (contd):

Condensed Consolidated Statement of Comprehensive Income

	Previously stated under FRS RM'000	Effects on adoption of MFRS RM'000	Restated under MFRS RM'000
<u>Preceding year corresponding quarter ended 31 March 2018</u>			
Cost of sales	(38,208)	(26)	(38,234)
Gross profit	6,298	(26)	6,272
Other income	333	89	422
Other expenses	(766)	1,065	299
Taxation	(441)	(141)	(582)
Profit net of tax	791	987	1,778
Profit net of tax attributable to:			
Owners of the Parent	791	987	1,778
Other comprehensive income, net of tax :-			
Net change of AFS/FVTOCI reserve:			
- changes in fair value	(2,757)	(100)	(2,857)
- impairment loss transferred to profit or loss	728	(728)	-
- profit transferred to retained profits upon disposal	-	(879)	(879)
Gain on disposal of investment securities	-	914	914
Deferred tax on revaluation of land	(14)	14	-
Total comprehensive loss attributable to:			
Owners of the Parent	(1,252)	208	(1,044)
<u>Preceding year ended 31 March 2018</u>			
Cost of sales	(151,869)	(106)	(151,975)
Gross profit	23,163	(106)	23,057
Other income	2,871	(1,183)	1,688
Other expenses	(1,074)	372	(702)
Taxation	(3,885)	112	(3,773)
Profit net of tax	3,195	(805)	2,390
Profit net of tax attributable to:			
Owners of the Parent	3,195	(805)	2,390
Other comprehensive income, net of tax :-			
Net change of AFS/FVTOCI reserve:			
- changes in fair value	(6,256)	272	(5,984)
- impairment loss transferred to profit or loss	796	(796)	-
- profit transferred to profit or loss upon disposal	(876)	876	-
- profit transferred to retained profits upon disposal	-	(879)	(879)
Gain on disposal of investment securities	-	914	914
Deferred tax on revaluation of land	(14)	14	-
Total comprehensive loss attributable to:			
Owners of the Parent	(3,155)	(404)	(3,559)

The Group has not early adopted the following new and Amendments to MFRSs, which have been issued and will be effective for the financial periods as stated below: -

Description	Effective date for financial periods beginning on or after
MFRS 16: Leases	1 January 2019
Amendments to MFRS 3: Business Combination (Annual Improvements to MFRSs 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 11: Joint Arrangements (Annual Improvement to MFRSs 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 112: Income Taxes (Annual Improvement to MFRSs 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 123: Borrowings Costs (Annual Improvement to MFRSs 2015-2017 Cycle)	1 January 2019
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	Deferred

The new and amendments to MFRSs will be adopted by the Group when they become effective and that the initial applications of these Standards are not expected to have material impact on the financial statements of the Group.

A2. Audit Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2018 was not qualified.

A3. Segmental Information

	3 months ended			12 months ended		
	31-Mar-19	31-Mar-18	Change	31-Mar-19	31-Mar-18	Change
	RM'000	Restated RM'000	%	RM'000	Restated RM'000	%
Segment revenue						
Poultry & related products	55,202	43,684	26%	193,695	171,609	13%
Extraction & sale of sand	686	732	-6%	2,286	3,063	-25%
Investment holdings	90	90	0%	360	360	0%
Total	55,978	44,506	26%	196,341	175,032	12%
Segment results						
Poultry & related products	8,137	4,270	91%	34,038	10,635	220%
Extraction & sale of sand	(11)	133	-108%	6	879	-99%
Investment holdings	152	(1,730)	109%	(2,148)	(4,218)	49%
Property development	(325)	(313)	-4%	(937)	(1,133)	17%
Profit before tax	7,952	2,360	237%	30,959	6,163	402%
Less: Tax expense	(2,464)	(582)	323%	(10,003)	(3,773)	165%
Profit net of tax	5,488	1,778	209%	20,956	2,390	777%

A4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter ended 31 March 2019.

A5. Changes in Estimate

There were no changes in the estimates that had a material effect other than loss in the estimate of the fair value of biological assets which amounted to RM2.82 million net of deferred taxation, in the current quarter.

A6. Comments about Seasonal or Cyclical Factors

The Group's performance is not significantly affected by major festive seasons.

A7. Dividends Paid

There were no dividend paid for the quarter under review.

A8. Carrying Amount of Revalued Assets

During the quarter under review, the Group's investment properties were revalued in accordance to the Group's accounting policy giving rise to a fair value gain of RM0.99 million net of deferred taxation. The valuations were carried out by professional independent valuers namely Laurelcap Sdn Bhd and Rahim & Co International Sdn Bhd.

There was no changes in the valuation of property, plant and equipment brought forward from the previous annual financial statements.

A9. Debt and Equity Securities

There were no issuances, repurchases, and repayments of debt and equity securities during the quarter under review.

A10. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A11. Changes in Contingent Liabilities and Contingent Assets

There were no changes in other contingent liabilities or contingent assets since the last annual balance sheet as at 31 March 2019.

A12. Subsequent Events

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements or to be disclosed as at the date of this report.

A13. Profit for the Period

Profit for the period is arrived at after crediting/ (charging):

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
		Restated		Restated
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest income	173	167	501	440
Other income including investment income	1,208	244	2,008	1,024
Interest expense	(1,206)	(1,478)	(5,022)	(5,466)
Depreciation & amortisation	(1,934)	(1,929)	(7,759)	(7,492)
Fair value changes on biological assets	(3,716)	364	5,334	(424)
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain on disposal of :				-
Quoted shares	-	-	-	-
Unquoted investments	-	-	-	-
Properties	-	-	-	-
Impairment of assets	(94)	-	(94)	-
Foreign exchange (loss)/gain:-				
Realised gain	70	23	654	224
Unrealised (loss)/gain	(39)	(77)	49	(278)
Gain/(loss) on derivatives	-	-	-	-
Exceptional items	-	-	-	-

B. BMSB Listing Requirements (Part A of Appendix 9B)

B1. Review of Performance

	Current Quarter	Preceding Year Corresponding Quarter Restated	Change	Full financial year	Preceding financial year Restated	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Segment revenue						
Poultry & related products	55,202	43,684	26%	193,695	171,609	13%
Extraction & sale of sand	686	732	-6%	2,286	3,063	-25%
Investment holdings	90	90	0%	360	360	0%
Total	55,978	44,506	26%	196,341	175,032	12%
Segment result						
Poultry & related products	8,137	4,270	91%	34,038	10,635	220%
Extraction & sale of sand	(11)	133	-108%	6	879	-99%
Investment holdings	152	(1,730)	109%	(2,148)	(4,218)	49%
Property development	(325)	(313)	-4%	(937)	(1,133)	17%
Profit before tax	7,952	2,360	237%	30,959	6,163	402%
Less: Tax expense	(2,464)	(582)	323%	(10,003)	(3,773)	165%
Profit net of tax	5,488	1,778	209%	20,956	2,390	777%

The Group registered a revenue of RM55.98 million and a profit net of tax of RM5.49 million for the current quarter as compared to a revenue of RM44.51 million and a profit net of tax of RM1.79 million in the same quarter of previous year. Poultry segment recorded 26% increase in revenue due mainly to improved egg prices. Poultry segment profit increased in tandem with the improved egg prices.

For the full financial year, the Group recorded a revenue of RM196.34 million and a net profit of RM20.96 million as compared to revenue of RM175.03 million and net profit of RM2.39 million in the corresponding period of previous year. Poultry segment recorded 13% increase in revenue arising from improved egg prices. Poultry segment profit increased by 220%, in tandem with the improved egg prices.

Investment holdings segment improved due to recognition of fair value gain in investment properties of RM1.10 million in the current quarter.

Property development segment has not recorded any revenue and earnings.

B2. Variation of result Against Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Change
	RM'000	RM'000	%
Segment revenue			
Poultry & related products	55,202	53,485	3%
Extraction & sale of sand	686	648	6%
Investment holdings	90	90	0%
Total	<u>55,978</u>	<u>54,223</u>	<u>3%</u>
Segment result			
Poultry & related products	8,137	14,713	-45%
Extraction & sale of sand	(11)	130	108%
Investment holdings	152	(670)	123%
Property development	(325)	(219)	-49%
Profit before tax	<u>7,952</u>	<u>13,954</u>	<u>-43%</u>

The Group posted a profit before tax of RM7.95 million for the current quarter versus profit before tax of RM13.95 million in the preceding quarter. Revenue from poultry had increased by 3% due to improved egg prices. However, poultry segment's earnings dropped by 45% due mainly to decrease in fair value of biological assets and higher operating expense in the current quarter. Investment holdings segment result improved due mainly to recognition of fair value gain in investment properties of RM1.10 million in the current quarter. Property development segment has not recorded any contribution as development project has not been launched. As a result, the Group's profit before tax dropped by 43% as compared to the preceding quarter.

B3. Commentary on Prospects

The Board views the prospect of the next financial year to be moderate as local production recovers and egg prices seem to stabilize.

No material contributions are expected from the other segments in the next period particularly in property segment as the property market remains subdued.

B4. Profit Forecast or Profit Guarantee

This is not applicable.

B5. Tax Expenses

	12 months ended	12 months ended
	31.03.19	31.03.18
	RM'000	Restated RM'000
Income tax expense	8,790	4,006
Real property gain tax	1,136	52
Deferred tax expense	76	(285)
Total	<u>10,003</u>	<u>3,773</u>

B5. Tax Expenses (contd.)

The effective tax rate for the current period is higher than the statutory rate of 24% due to unallowable expenses.

B6. Corporate Proposals

(a) Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 7 May 2019.

(b) Status of Utilisation of Proceeds

Not applicable as there was no corporate proposal to raise funds.

B7. Borrowings

a) The analysis of Group borrowings classified under short term and long-term categories are as follows:

	As at 31.03.2019	As at 31.03.2018
	RM'000	RM'000
Short term		
<i>Secured:-</i>		
Term loans	7,215	6,755
Banker acceptance	671	868
Revolving credit	9,500	15,000
	<u>17,386</u>	<u>22,623</u>
<i>Unsecured:-</i>		
Term loans	220	945
Banker acceptance	3,016	4,995
	<u>3,236</u>	<u>5,940</u>
	<u>20,622</u>	<u>28,563</u>
Long term		
<i>Secured:-</i>		
Term loans	55,485	62,344
<i>Unsecured:-</i>		
Term loans	-	220
	<u>55,485</u>	<u>62,564</u>
Total borrowings	<u>76,107</u>	<u>91,127</u>

b) There were no borrowings in foreign currency as at 31 March 2019.

c) Effective average cost of borrowings based on exposure as at 31 March 2019 was 6.18% (2018: 5.96%).

B8. Off Balance Sheet Financial Instrument

There were no off balance sheet financial instruments as at 31 March 2019.

B9. Changes in Material Litigations

Other than the summon as described below, there were no material litigations involving the Group for the current quarter under review.

LTK (Melaka) Sdn. Bhd. (Company No. 156852-X) (“LTK Melaka”), a wholly owned subsidiary of the Company have been issued with a Summon (MA-63AP-1-03/2019) on 29 March 2019 to appear in the Melaka Session Court on 16 April 2019 for the purpose of defending the charge that LTK Melaka had increased the margin of Grade A egg by 17.46% from 12.29% to 29.75% allegedly infringing Peraturan 3(b), Peraturan-Peraturan Kawalan Harga Dan Antipencatutan (Mekanisme Untuk Menentukan Keuntungan Tinggi Yang Tidak Munasabah) 2018, and as a result has committed an offence under Seksyen 14(1), Akta Kawalan Harga Dan Antipencatutan 2011. LTK Melaka is a major subsidiary which contributes more than 70% of the Group’s profit before tax.

The potential liability, financial and operational impact cannot be determined with certainty at the moment. The offence if guilty is punishable up to RM500,000 for first-time offender and up to RM1,000,000 for each subsequent offence.

The Company will provide further details as the case develops, in due course.

B10. Dividend Payable

On 26 February 2019, the Board of Directors has declared an interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 March 2019 which amounted to RM1.301 million, which was paid on 12 April 2019.

B11. Earnings per share (“EPS”)

	3 months ended		12 months ended	
	31-Mar-19 RM'000	31-Mar-18 RM'000 Restated	31-Mar-19 RM'000	31-Mar-18 RM'000 Restated
Profit attributable to ordinary shareholders of the parent	5,488	1,778	20,956	2,390
Number of shares in issue ('000)	130,104	130,104	130,104	130,104
Basic EPS (sen per share)	4.22	1.37	16.11	1.84

Diluted earnings per share are not applicable for the respective periods as there is no dilution effect on the number of shares.

B12. Authorisation for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with resolution of the directors on 21 May 2019.

B13. Dividends Paid / Declared

Dividend paid / declared since the financial year 2017 up to the date of this report.

Dividend No.	Financial Year	Type	No. of shares (000)	Rate	RM ('000)	Payment Date
30	2017	Interim dividend	130,104	1.5 sen per share, single tier	1,952	7.4.2017
31	2017	Final dividend	130,104	1.5 sen per share, single tier	1,952	6.10.2017
32	2018	Interim dividend	130,104	1 sen per share, single tier	1,301	6.4.2018
33	2018	Final dividend	130,104	1 sen per share, single tier	1,301	5.10.2018
34	2019	Interim dividend	130,104	1 sen per share, single tier	1,301	12.4.2019