# NOTES TO THE QUARTERLY REPORT

***A. Selected explanatory notes pursuant to FRS 134 Interim Financial Reporting***

# A1. Accounting Policies

The interim condensed financial statements are prepared in compliance with FRS 134, “Interim Financial Reporting” and Appendix B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim condensed financial statements have been prepared based on accounting policies and methods of computation which are consistent with those adopted in the preparation of the audited financial statements for the year ended 31 December 2013.

# A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following new FRSs, Amendments to FRSs, and IC Interpretations that are effective for the Group from 1 January 2014:

|  |  |
| --- | --- |
| **FRSs and IC Interpretations (Including The Consequential Amendments)** |  |
|  |  |
| Amendments to FRS 10, FRS 12 and FRS 127 (2011) : Investment Entities |  |
|  |  |
| Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities |  |
|  |  |
| Amendments to FRS 136 : Recoverable Amount Disclosures for Non-financial Assets |  |
|  |  |
| Amendments to FRS 139 : Novation of Derivatives and Continuation of Hedge Accounting |  |
|  |  |
| IC Interpretation 21 Levies |  |

The above accounting standards and interpretations (including the consequential amendments) do not have any material impact on the Group’s financial statements.

The Malaysian Accounting Standards Board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRSs”) that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation15 (Agreements for Construction of Real Estate), including its parent, significant investor and venture (herein called “transitioning entities”).

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2017. The Group is currently assessing the possible

# A2. Changes in Accounting Policies (cont’d)

|  |  |
| --- | --- |
| **FRSs and IC Interpretations (Including The Consequential Amendments) (cont’d)** |  |

financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

# A3. Audit Report

The auditors’ report on the preceding year’s annual financial statements was not subject to any qualification.

**A4. Seasonal And Cyclical Factors**

Seasonal or cyclical factors do not significantly affect the principal business operations of the Group.

**A5. Unusual Items**

There were no unusual items in the current quarter and financial period to date.

# A6. Changes in Estimate

There were no changes in the estimate of amounts reported in current interim period of the current financial year.

**A7. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

# A8. Dividends paid

There were no dividends paid during the quarter under review.

# A9. Segmental Information

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Poultry farming and processing** | **Manufacturing of fertilizer, feeds and egg trays** | **Others** | **Eliminations** | **Group** |
|  | RM’000 | RM’000 | RM’000 | RM’000 | RM’000 |
| External sales | 910,787 | 2,479 | 3,602 | - | 916,868 |
| Intersegment sales | 342,362 | 315,493 | - | (657,855) | - |
| Total | 1,253,149 | 317,972 | 3,602 | (657,855) | 916,868 |
|  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Poultry**  **Farming and processing** | **Manufacturing of fertilizer, feeds & egg trays** | Others | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| Profit/(Loss) before tax | 40,387 | (1,073) | (722) | 38,592 |
| Profit/(Loss) after tax | 38,987 | (1,103) | (722) | 37,162 |

**A10.** **Valuations of Property, Plant and Equipment**

The valuations of the properties of the Group which were carried out in 2011 have been brought forward from the previous annual audited financial statements without any amendment.

**A11. Events After the Interim Period**

There are no material events that have arisen in the interval between the end of the current quarter ended 30 September 2014 to the date of this announcement, which would substantially affect the financial results of Group for the current quarter and the financial year to date.

# A12. Changes In Composition Of The Group

There were no major changes in the composition of the Group during the year except for the completion of the acquisition of 70 % of PT Lestari Agribisnis Indonesia.

The effect of the acquisitions of the subsidiary on the financial results of the Group in the current year is as follows: -

|  |  |  |
| --- | --- | --- |
|  |  | RM’000 |
| Revenue |  | 12,982 |
| Expenses |  | (12,473) |
|  |  | 509 |
| Less: Minority interests |  | (152) |
|  |  | (357) |

The effect of the acquisitions of the subsidiary on the financial position of the Group in the current year is as follows: -

|  |  |  |
| --- | --- | --- |
|  |  | RM’000 |
| Non-current assets |  | 10,135 |
| Current assets |  | 4,390 |
| Current liabilities  Non-current liabilities |  | (16,798)  (1,690) |
|  |  | (3,963) |

The details of net assets acquired, goodwill and cash flow arising from the acquisitions of the subsidiary are as follows:-

|  |  |  |
| --- | --- | --- |
|  |  | RM’000 |
| Non-current assets |  | 15,265 |
| Current assets |  | 2,564 |
| Current liabilities |  | (24,120) |
|  |  | (6,291) |
|  |  |  |
| Goodwill |  | 6,421 |
|  |  |  |
| Total acquisition costs |  | 130 |
|  |  |  |
| Less: Cash and cash equivalents |  | 33 |
|  |  | 97 |

# A13. Changes In Contingent Liabilities

Changes in material contingent liabilities of the Group and Company since 31 December 2013 were as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Group | | Company | |
|  | 30.09.2014 | 30.09.2013 | 30.09.2014 | 30.09.2013 |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries  Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries | Nil  Nil | Nil  Nil | 522,459  459,094 | 500,340  475,852 |

***B. Selected explanatory notes pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.***

**B1. Detailed Analysis Of The Performance Of All Operating Segments Of The Group**



The Group’s turnover for the quarter ended 30 September 2014 has increased by 32.62% to RM329.399 million from RM248.370 million for the corresponding quarter ended 30 September 2013. The increase in turnover is mainly due to higher selling prices and quantities.

The Group registered a pretax profit of RM14.052 million in September 2014 compared to a pretax profit of RM11.678 million in the corresponding quarter last year. The higher pretax profit is due to lower price for raw materials and higher selling prices.

**B2. Comparison With The Preceding Quarter’s Results**

For the quarter ended 30 September 2014, pretax profit of RM14.052 million as compared to a pretax profits of RM8.903 million for the preceding quarter ended 30 June 2014. The differences Group’s pretax profit for the period was due to better selling prices of poultry products and lower prices of raw materials.

# B3. Commentary On Current Year Prospect

Currently, the average purchase prices of imported raw materials and selling price of poultry products remained relatively stable. With these, the Group cautiously expects to report a positive set of results in the coming financial year ending 31 December 2014.

**B4. Variance on forecast profit / profit guarantee**

Not applicable as no profit guarantee was issued.

**B5. Statement By Directors**

The Group did not issue any profit forecast or projection in a public document in the current quarter or prior financial period.

**B6. Income Tax Expense**

The tax expense comprises:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Individual Quarter** | |  | **Cumulative Quarter** | |
|  | **30.09.14** | **30.09.13** |  | **30.09.14** | **30.09.13** |
|  | **RM’000** | **RM’000** |  | **RM’000** | **RM’000** |
| In respect of the financial period |  |  |  |  |  |
| Malaysian income tax | (1,430) | - |  | (1,430) | - |
| Deferred tax | - | - |  | - | (275) |
|  | (1,430) | - |  | (1,430) | (275) |

# B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 November 2014.

**B8. Group Borrowings**

Group borrowings all of which are secured as at 30 September 2014 were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current | Non Current | Total |
|  | RM’000 | RM’000 | RM’000 |
| Hire purchase and finance lease liabilities | 21,485 | 21,524 | 43,009 |
| Bank borrowings | 292,698 | 197,321 | 490,019 |
| Bank overdraft | 7,339 | - | 7,339 |
| Total borrowings | 321,522 | 218,845 | 540,367 |

The borrowings are all denominated in Ringgit Malaysia.

**B9. Pending Material Litigation**

There was no pending material litigation as at the date of this quarterly report.

**B10. Dividend**

No dividend has been declared for the current quarter under review.

**B11. Earnings Per Share**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Individual Quarter | |  | Cumulative Quarter | |
|  |  | 30.09.14 | 30.09.13 |  | 30.09.14 | 30.09.13 |
|  |  | RM’000 | RM’000 |  | RM’000 | RM’000 |
| a) | *Basic Earnings per Share* |  |  |  |  |  |
|  | Net profit for the period | 11,222 | 11,233 |  | 33,451 | 14,943 |
|  |  |  |  |  |  |  |
|  | Weighted average number of ordinary shares | 77,809 | 77,787 |  | 77,794 | 77,785 |
|  |  |  |  |  |  |  |
|  | Basic Earnings per share (sen) | 14.42 | 14.44 |  | 43.00 | 19.21 |
|  |  |  |  |  |  |  |
| b) | *Diluted Earnings Per Share* |  |  |  |  |  |
|  | Net profit for the period | 11,222 | 11,233 |  | 33,451 | 14,941 |
|  | Weighted average number of ordinary shares | 77,809 | 77,787 |  | 77,794 | 77,785 |
|  | Number of shares deemed to have been issued for no  consideration – ESOS | - | - |  | - | 994 |
|  | Weighted average number of ordinary shares | 77,809 | 77,787 |  | 77,794 | 78,779 |
|  |  |  |  |  |  |  |
|  | Diluted earnings per share (sen) | 14.42 | 14.44 |  | 43.00 | 18.97 |
|  |  |  |  |  |  |  |

B12. Cash and cash equivalents at end of the financial year



**B13. Realised and unrealised profits of the Group**

30.09.14 30.06.14

RM’000 RM’000

Total retained profits

* Realised gain 84,647 73,427
* Unrealised loss (37,614) (37,616)

Total retained profits 47,033 35,811

Add : Consolidation adjustment 10,560 10,560

57,593 46,371

**B14. Profit Before Tax**

Individual Quarter Cumulative Quarter

30.09.14 30.09.14

RM’000 RM’000

Profit before tax is arrived at

After charging / (crediting) :-

Interest income (45) (411)

Other income (267) (650)

Interest expenses 8,307 23,808

Depreciation 14,681 42,847

Foreign exchange gain

- realised (183) (218)

- unrealised (2) (79)

Other than the above items, there were no provision for and write off of inventories, gain or loss on disposal of unquoted investment or properties, gain or loss on derivatives and exceptional items for the current quarter and financial year to date.