

CAB CAKARAN CORPORATION BERHAD
(583661-W)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED
31 DECEMBER 2018

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000 (Restated)	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000 (Restated)
Revenue	9	454,432	429,011	454,432	429,011
Cost of sales		(424,053)	(383,639)	(424,053)	(383,639)
Gross profit		30,379	45,372	30,379	45,372
Other income		4,216	3,538	4,216	3,538
Distribution costs		(13,944)	(12,286)	(13,944)	(12,286)
Administrative expenses		(12,524)	(11,990)	(12,524)	(11,990)
Other expenses		(51)	(120)	(51)	(120)
Profit from operations	9	8,076	24,514	8,076	24,514
Investment revenue		249	172	249	172
Other gains and losses		7,894	(7,587)	7,894	(7,587)
Finance costs		(5,329)	(3,811)	(5,329)	(3,811)
Share of loss in joint venture		(162)	(5)	(162)	(5)
Profit before taxation		10,728	13,283	10,728	13,283
Tax expenses	19	(3,098)	(4,692)	(3,098)	(4,692)
Profit for the period	26	7,630	8,591	7,630	8,591
Other Comprehensive income/(loss)					
Items that will be reclassified subsequently to profit or loss:					
Exchange difference on translating foreign operations		59	(1,230)	59	(1,230)
Total comprehensive income for the period		7,689	7,361	7,689	7,361
Profit/ (loss) attributable to:					
Owners of the Company		7,858	5,255	7,858	5,255
Non-controlling interests		(228)	3,336	(228)	3,336
		7,630	8,591	7,630	8,591
Total comprehensive income/(loss) attributable to:					
Owners of the Company		7,884	4,660	7,884	4,660
Non-controlling interests		(195)	2,701	(195)	2,701
		7,689	7,361	7,689	7,361
Earnings per ordinary share (sen):					
Basic	25	1.22	0.85	1.22	0.85
Diluted	25	1.16	0.78	1.16	0.78

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	Note	As at 31 December 2018 RM'000	As at 30 September 2018 RM'000 (Restated)	As at 01 October 2017 RM'000 (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment		687,383	687,342	532,724
Investment properties		95,577	96,520	86,038
Prepaid lease payments on leasehold land		19,060	19,206	13,342
Other intangible asset		11,673	11,963	11,505
Goodwill		6,219	6,219	6,219
Other financial asset	22	2,223	2,304	260
Investment in a joint venture		2,264	2,424	204
Agricultural development expenditure		33	33	34
Deferred tax assets		41	41	17
Total non-current assets		824,473	826,052	650,343
Current Assets				
Inventories		59,811	61,196	51,066
Biological assets		78,288	73,649	87,299
Trade and other receivables	27	201,455	209,333	179,236
Current tax assets		5,732	3,842	840
Derivative financial asset	22	2	-	-
Other assets		26,781	21,579	46,233
Short-term deposits with licensed banks		28,188	31,407	50,294
Cash and bank balances		57,624	64,497	51,762
		457,881	465,503	466,730
Non-current assets classified as held for sale		125	125	125
Total current assets		458,006	465,628	466,855
TOTAL ASSETS		1,282,479	1,291,680	1,117,198
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		133,158	133,015	128,321
Treasury shares		(69)	(69)	(69)
Reserves		1,194	1,168	1,766
Retained earnings		326,913	319,055	306,492
Equity attributable to owners of the Company		461,196	453,169	436,510
Non-controlling interests		150,459	150,654	145,868
Total equity		611,655	603,823	582,378
NON-CURRENT LIABILITIES				
Borrowings	21	212,911	215,622	127,296
Deferred revenue		34	38	64
Deferred tax liabilities		40,149	39,211	40,017
Total non-current liabilities		253,094	254,871	167,377

(FORWARD)

CAB CAKARAN CORPORATION BERHAD (583661-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(The figures have not been audited)

		As at 31 December 2018 RM'000	As at 30 September 2018 RM'000 (Restated)	As at 01 October 2017 RM'000 (Restated)
CURRENT LIABILITIES	Note			
Trade and other payables		212,279	238,202	201,031
Borrowings	21	201,880	191,760	159,202
Deferred revenue		24	32	44
Derivative financial liability	22	-	9	6
Current tax liabilities		3,547	2,983	7,160
Total current liabilities		417,730	432,986	367,443
TOTAL LIABILITIES		670,824	687,857	534,820
TOTAL EQUITY AND LIABILITIES		1,282,479	1,291,680	1,117,198
Net assets per share attributable to ordinary equity holders of the parent company (RM)		0.71	0.70	0.71

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial report.

CAB CAKARAN CORPORATION BERHAD (583661-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(The figures have not been audited)

Three (3) Months Ended 31 December 2018

	----- Attributable to owners of the Company ----->						Non- Controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable ----->			Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000		
As at 1 October 2018	133,015	(69)	107,457	1,086	178,766	420,255	142,570	562,825
Effect of adoption of MFRSs	-	-	(107,375)	-	140,289	32,914	8,084	40,998
Restated	128,321	(69)	82	1,086	319,055	453,169	150,654	603,823
Profit/ (loss) for the year	-	-	-	-	7,858	7,858	(228)	7,630
Other comprehensive income	-	-	-	26	-	26	33	59
Total comprehensive income/ (loss) for the year	-	-	-	26	7,858	7,884	(195)	7,689
Exercise of share warrants for 838,800 new ordinary shares at RM0.17 per ordinary share	143	-	-	-	-	143	-	143
Balance as at 31 December 2018	133,158	(69)	82	1,112	326,913	461,196	150,459	611,655

(FORWARD)

CAB CAKARAN CORPORATION BERHAD (583661-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
(The figures have been audited)

Three (3) Months Ended 31 December 2017

	----- Attributable to owners of the Company ----->						Non- Controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable ----->			Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000		
As at 1 October 2017	128,321	(69)	110,661	1,766	149,126	389,805	140,890	530,695
Effect of adoption of MFRSs	-	-	(110,661)	-	157,366	46,705	4,978	51,683
Restated	128,321	(69)	-	1,766	306,492	436,510	145,868	582,378
Profit for the year	-	-	-	-	5,255	5,255	3,336	8,591
Other comprehensive loss	-	-	-	(595)	-	(595)	(635)	(1,230)
Total comprehensive (loss)/income for the year	-	-	-	(595)	5,255	4,660	2,701	7,361
Subscription of shares by non-controlling interests in a subsidiary	-	-	-	-	-	-	1,216	1,216
Exercise of share warrants for 5,903,975 new ordinary shares at RM0.17 per ordinary share	1,003	-	-	-	-	1,003	-	1,003
Additional non-controlling interests arising on the acquisition of a subsidiary	-	-	-	-	-	-	(181)	(181)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(122)	(122)
Arising from increase in equity interest in a subsidiary	-	-	-	-	(218)	(218)	218	-
Balance as at 31 December 2018	129,324	(69)	-	1,171	311,529	441,955	149,700	591,655

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have been audited)

	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,728	13,283
Adjustments for:		
Depreciation and amortization of non-current assets	11,204	9,079
Interest expenses	5,010	3,517
Share of loss in a joint venture	162	5
Net fair value loss/(gain) on derivative financial asset/ (liability)	71	(17)
Bad debts written off	7	247
Property, plant and equipment written off	-*	207
(Gain)/loss on fair value adjustment of biological assets	(4,614)	6,463
Gain on disposal of investment properties	(3,407)	-
Interest revenue recognized in profit or loss	(245)	(352)
Net unrealized (gain)/loss on foreign exchange	(84)	57
(Gain)/loss on disposal of property, plant and equipment	(35)	14
Amortization of deferred revenue	(11)	(11)
Goodwill written off	-	80
	18,786	32,572
Movement in working capital:		
Inventories	1,388	1,065
Biological assets	(25)	(843)
Trade and other receivables	7,907	(14,021)
Other assets	23	303
Trade and other payables	(25,985)	164
Deferred revenue	-	6
Cash generated from operations	2,094	19,246
Interest received	107	249
Net of income tax paid and refunded	(3,489)	(3,523)
Interest paid	(5,099)	(5,470)
Net cash (used in)/ generated from operating activities	(6,387)	10,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	4,408	9
Interest received	120	72
Repayment from a joint venture	19	-
Payments for non-current assets	(8,018)	(27,066)
Increase in other assets for acquisition of non-current assets	(5,147)	(6,744)
Net cash inflow on acquisition of a subsidiary	-	479
Net cash used in investing activities	(8,618)	(33,250)

* Negligible

(FORWARD)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	3 months ended 31 December 2018 RM'000 (Unaudited)	3 months ended 31 December 2017 RM'000 (Audited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in short-term borrowings	9,920	14,546
Proceeds from Warrants exercise	143	1,003
Advance from a director	53	48
Net change in long-term loans	(3,705)	(2,875)
Net change in hire-purchase	(2,571)	(1,683)
Short-term deposits pledged as securities	(85)	(62)
Proceeds from issuance of shares by a subsidiary to non-controlling interests	-	1,216
Dividend paid to non-controlling interests of a subsidiary	-	(122)
Net cash generated from financing activities	3,755	12,071
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,250)	(10,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	83,420	91,803
Effect of foreign exchange rate changes	33	(477)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	72,203	80,649
REPRESENTED BY:-		
Short-term deposits with licensed banks	28,188	46,595
Cash and bank balances	57,624	44,893
Bank overdrafts classified as cash equivalents	(3,806)	(1,460)
	82,006	90,028
Less: Short-term deposits pledged as securities	(9,803)	(9,379)
	72,203	80,649

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2018

PART A : EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting, provision of the Companies Act 2016 in Malaysia and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 September 2018. The explanatory notes attached to the interim financial report 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 30 September 2018.

2. Changes in Accounting Policies

a) First-time Adoption of MFRS

The Group is a transitioning entity as defined by the Malaysian Accounting Standards Board and its financial statement for the year ended 30 September 2018 and interim financial report were prepared in accordance with Financial Reporting Standards (“FRS”) framework during the previous interim period.

These interim financial report of the Group are the first set of report prepared in accordance with the MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards and MFRS 141- Agriculture. The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 October 2017, being the transition date, and throughout all year presented, as if these policies had always been in effect. Comparative information in this interim financial report have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS are disclosed as follow:

i) Property, Plant and equipment – Deemed cost exemption

Under FRS, valuation adjustments on land and building were incorporated in to the financial statement. The Group have elected to use the previous revaluation as deemed cost under MFRSs. The revaluation reserve of RM110.66 million as at 1 October 2017 was reclassified to retained earnings.

ii) Effect of MFRS 141

Prior to the adoption of MFRS 141, Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141), produce growing on bearer plants were not recognized and livestock were stated at cost. Following the adoption, these biological assets are measured at fair value less cost to sell. Changes in fair value less costs to sell are recognized in profit or loss.

b) Adoption of MFRS 15

With the adoption of MFRS 15, revenue are recognized by reference to each distinct performance obligation in the contract with customer, Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue are recognized when the performance obligation is satisfied, which may be at a point in time or over time.

c) Reconciliation

i) Condensed Consolidated Statement of Financial Position

As at beginning of the preceding financial year 1 October 2017

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 1 RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Non-Current Assets					
Inventories	85,034	-	(33,968)	-	51,066
Biological assets	-	-	87,299	-	87,299
Trade and other receivables	180,885	-	-	(1,649)	179,236
Capital and Reserves					
Revaluation reserve	110,661	(110,661)	-	-	-
Retained earnings	149,126	110,661	48,204	(1,499)	306,492
Non-Controlling interest	140,891	-	5,127	(150)	145,868

As at preceding financial year end 30 September 2018

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 1 RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Non-Current Assets					
Inventories	92,266	-	(31,070)	-	61,196
Biological assets	-	-	73,649	-	73,649
Trade and other receivables	210,914	-	-	(1,581)	209,333
Capital and Reserves					
Revaluation reserve	107,457	(107,375)	-	-	82
Retained earnings	178,766	107,375	34,373	(1,459)	319,055
Non-Controlling interest	142,570	-	8,206	(122)	150,654

ii) Condensed Consolidated Statement of Profit or Loss

Preceding year corresponding quarter 3 months ended 31 December 2017

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Revenue	428,964	-	47	429,011
Other gains and losses	(1,124)	(6,463)	-	(7,587)
Profit attributable to:				
Owners of the Company	12,484	(7,221)	(8)	5,255
Non-controlling interests	2,523	758	55	3,336

(FORWARD)

2. Changes in Accounting Policies (Cont'd)

c) Reconciliation (Cont'd)

ii) Condensed Consolidated Statement of Profit or Loss (Cont'd)

Preceding year corresponding period 12 months ended 30 September 2018

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Revenue	1,750,368	-	68	1,750,436
Other gains and losses	(2,345)	(10,752)	-	(13,097)
Profit attributable to:				
Owners of the Company	29,731	(13,831)	40	15,940
Non-controlling interests	714	3,079	28	3,821

iii) Condensed Consolidated Statement of Cash Flows

Preceding year corresponding quarter 3 months ended 31 December 2017

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Profit before taxation	19,699	(6,463)	47	13,283
Adjustment for non-cash items	12,826	6,463	-	19,289
Movement in working capital:				
Decrease in inventories	222	843	-	1,065
Increase in biological assets	-	(843)	-	(843)
Increase in trade and other receivables	(13,974)	-	(47)	(14,021)

Preceding year corresponding period 12 months ended 30 September 2018

	Previously reported under FRSs RM'000	Effect on adoption of MFRS 141 RM'000	Effect on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Profit before taxation	85,034	(10,752)	68	74,350
Adjustment for non-cash items	17,518	10,752	-	28,270
Movement in working capital:				
Increase in inventories	(7,421)	2,898	-	(4,523)
Increase in biological assets	-	(2,898)	-	(2,898)
Increase in trade and other receivables	(30,603)	-	(68)	(30,671)

d) Standards and IC Interpretations in issue but not yet effective

The new and revised standard and IC Interpretations which were in issue but not yet effective and not earlier adopted by the Group are as listed below:

Amendments to MFRS 3	Definition of a Business (Amendments to MFRS 3) ^(b)
Amendments to MFRS 10 and MFRS128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^(d)
Amendments to MFRS 101	Definition of Material ^(b)
Amendments to MFRS 108	Definition of Material ^(b)
MFRS 16	Lease ^(a)
MFRS 17	Insurance Contract ^(c)
IC Interpretation 23	Uncertainty over income tax treatments ^(a)
Annual Improvements to MFRSs	Standards 2015 – 2017 Cycle – Amendments to MFRS 3, MFRS 11, MFRS 112 and FRS 123 ^(a)

^(a) Effective for annual periods beginning on or after January 1, 2019

^(b) Effective for annual periods beginning on or after January 1, 2020

^(c) Effective for annual periods beginning on or after January 1, 2021

^(d) Effective date to be determined by the MASB

The Directors anticipate that the abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as disclosed in the audited financial statements of the Group for the year ended 30 September 2018.

3. Audit opinion

The auditors' report on the financial statements of the Group for the financial year ended 30 September 2018 was not subject to any audit qualification.

4. Seasonal or cyclical factors

The Group's financial performance in the current quarter was not significantly affected by any seasonal or cyclical factor.

5. Unusual items

There were no unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows of the Group in the current quarter ended 31 December 2018.

6. Material change in estimates

There were no material change in estimates of amounts reported in the prior quarter and/ or financial year that have a material effect on the Group in the current quarter ended 31 December 2018.

7. Changes in debt and equity securities

Save as disclosed below, there were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities by the Company for the period ended 31 December 2018.

	No of shares issued (units)
Issued and paid up capital including treasury shares as at October 1, 2017	645,426,679
Issued during the financial year	
- Pursuant to shares warrant (refer to Note 20 (a))	838,800
Issued and paid up capital including treasury shares as at 31 December 2018	<u>646,265,479</u>

7. Changes in debt and equity securities (Cont'd)

At the Annual General Meeting of the Company held on March 23, 2018, the shareholders of the Company had approved the Proposed Renewal of Share Buy Back Authority for the Company to purchase its own ordinary shares of RM0.50 each as may be determined by the Directors of the Company up to a maximum of 10% of the issued and paid up capital of the Company. The mandate will expire upon the conclusion of the next Annual General Meeting of the Company.

The Company did not repurchase any shares during the current quarter under review.

As at 31 December 2018, a total of 545,500 shares were repurchased and held as treasury shares and carried at cost of RM69,304.

8. Dividends paid

There were no dividend paid during the current year to date.

9. Segmental information

The analysis of contribution by business activities of the Group is as follows:-

	Investment holding	Integrated poultry	Supermarket	Marine products	Fast Food	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Three (3) Months ended 31 December 2018							
Segment revenue							
External revenue	-	420,830	32,880	5	717	-	454,432
Inter-segment revenue	87	4,981	61	3	139	(5,271)	-
Total revenue	87	425,811	32,941	8	856	(5,271)	454,432
Segment results	(226)	12,539	69	(23)	(55)	(4,228)	8,076
As at 31 December 2018							
Segment assets	146,873	1,169,592	29,513	488	8,353	(106,301)	1,248,518
Interest revenue producing assets							28,188
Income tax assets							5,773
Consolidated total assets							1,282,479
Segment liabilities	202	195,074	16,764	89	214	(5)	212,338
Borrowings							414,791
Income tax liabilities							43,696
Consolidated total liabilities							670,825

(FORWARD)

9. Segmental information (Cont'd)

The analysis of contribution by business activities of the Group is as follows:-

	Investment holding RM'000	Integrated poultry RM'000	Supermarket RM'000	Marine products RM'000	Fast Food RM'000	Eliminations RM'000	Consolidated RM'000
Three (3) Months ended 31 December 2017							
Segment revenue							
External revenue	-	396,795	31,566	5	645	-	429,011
Inter-segment revenue	82	4,533	5	5	198	(4,823)	-
Total revenue	82	401,328	31,571	10	843	(4,823)	429,011
Segment results	(805)	26,699	145	41	11	(1,577)	24,514
As at 31 December 2017							
Segment assets	99,604	1,000,315	31,367	4,067	8,465	(48,673)	1,095,145
Interest revenue producing assets							46,595
Income tax assets							552
Consolidated total assets							1,142,292
Segment liabilities	282	185,262	18,873	150	230	(5)	204,792
Borrowings							299,830
Income tax liabilities							46,016
Consolidated total liabilities							550,638

The revenue and segment assets of Integrated Poultry Division have been restated to conform to the effect of adoption of MFRS 141 and MFRS 15.

(FORWARD)

9. Segmental information (Cont'd)

The analysis of contribution by geographical locations of the Group is as follows:-

	Three (3) Months ended 31 December 2018	
	RM'000	%
Revenue		
By Geographical Locations		
Malaysia	396,022	87.15
Singapore	54,873	12.07
Myanmar	1,350	0.30
Bangladesh	982	0.22
Brunei	743	0.16
Pakistan	462	0.10
Consolidated	<u>454,432</u>	<u>100.00</u>

The Directors are of the opinion that all inter-segment transfers have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Those transfers are eliminated on consolidation.

10. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. There were no revaluation of property, plant and equipment for the current quarter under review.

The valuation of land and buildings has been brought forward without any amendment from the previous audited financial statements.

11. Material events subsequent to the end of the interim period

There were no material events which have occurred subsequent to the end of current quarter ended 31 December 2018 until the date of the interim financial report.

12. Changes in the composition of the Group

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

13. Changes in contingent liabilities and assets

As at 31 December 2018, the Company had issued corporate guarantees of RM733.53 million (31 December 2017: RM554.49 million) as security to financial institutions and suppliers for banking facilities and/ or credit terms respectively, granted to its subsidiary companies.

14. Capital commitments

The capital commitments of the Group as at 31 December 2018 are as follows:-

	RM'000
Property, plant and equipment:	
Approved and contracted for	32,653
Authorised but not contracted for	95,450
	<u>128,103</u>

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FITST QUARTER ENDED 31 DECEMBER 2018

PART B : ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Review of performance

For the first quarter ended 31 December 2018, the Group recorded a revenue of RM454.43 million, representing an increase of about 5.93% over the prior year corresponding quarter's revenue of RM429.01 million. The higher revenue was mainly due to the higher sales achieved by the integrated poultry division.

The higher revenue, for the quarter was accompanied by a higher corresponding increase in cost of sales and distribution costs. The increased in finance costs for the quarter under review was mainly due to the increase in interest charges relating to the term loans for the acquisitions of breeder farms and broiler farms. Other gain and loss increased by RM15.48 million as compared to prior year corresponding quarter. This was mainly due to inclusion of gain on disposal of investment properties amounting to RM3.41 million as well as gain on fair value adjustment of biological assets in the current quarter amounting to RM4.61 million as compared to a loss of RM6.46 million in prior year corresponding quarter.

Despite the higher sales, the Group recorded a decrease in profit from operation to RM8.08 million as compared with RM24.51 million achieved in prior year corresponding quarter. This was mainly attributed to the lower profit generated by most of the divisions especially the integrated poultry division.

The higher revenue of the integrated poultry division was mainly attributed to the increase in the production of processed chicken as well as the higher trading volume of feeds. In spite of the higher revenue of the division, it recorded a lower profit from operation of RM12.54 million as compared to RM26.70 million in prior year corresponding quarter. This was due to the increase in feed cost as well as a lower average selling price of RM4.53 per kg for broilers as compared to RM4.57 in the prior year corresponding quarter.

The supermarket division recorded an increase in revenue to RM32.94 million due to the inclusion of revenue of a newly opened outlet in April 2018 during the quarter under reviewed. In spite of the higher revenue, it recorded a lower profit from operation in the current quarter under review mainly due to lower profit margin.

In spite of the higher revenue of RM0.86 million, the fast food division recorded a loss from operation of RM0.06 million during the quarter mainly due to the charging out of the unclaimed input tax amounting to RM0.05 million.

16. Comment on material change in profit/(loss) before taxation

The comparison of the Group's revenue and profit/(loss) before taxation for the current quarter and preceding quarter is summarised as follows:-

	FYE 2019 Quarter 1 RM'000 (Unaudited)	FYE 2018 Quarter 4 RM'000 (Unaudited)	Variance	
			RM'000	%
Revenue	454,432	465,830	(11,398)	(2.45)
Profit/(loss) before taxation	10,728	(2,081)	12,809	615.52

For the current quarter ended 31 December 2018, the Group recorded a lower revenue mainly due to the lower production of broilers as well as lower trading volume of feeds resulting from the decrease in the production of chicks. The occurrence of Avian Influenza in a number of countries especially in the United States in year 2017 had adversely affected the intake of grandparent stock chick in the world. As a result, the production cycle of parent stock chick of the company was interrupted in year 2018 which contributed to the decrease in the production of broiler chick in the current quarter.

(FORWARD)

16. Comment on material change in profit/(loss) before taxation (Cont'd)

In spite of the lower revenue, the Group's profit before taxation increased to RM10.73 million mainly due to the inclusion of gain on disposal of investment properties and gain on fair value adjustment of biological assets amounting to RM3.41 million and RM4.61 million respectively. Excluding the abovementioned gains, the Group still would have recorded a higher profit before taxation as compared to previous quarter mainly due to lower feed cost. The Group's profit has been adversely affected by the increased in feed cost since April 2018. However over the next few months, the feed cost started to stabilise and since July 2018, it stated to move downward. On average, the feed cost has reduced by RM1.50 per bag as compared to previous quarter.

17. Commentary on prospects

The prospect of the integrated poultry division will likely be affected by the outcome of the trade negotiation between the USA and China as well as the impact of Brexit. These two events will have a significant effect on the exchange rates which will have a direct impact on the cost of feed.

However, given the current situation of a strengthening Malaysian Ringgit and stable supply of commodities in the world market, the cost of feed is expected to continue drifting downward. The management expects the average selling price of broilers to trend upward in the next quarter due to shortage of supply. The combination of these two factors is expected to project a better profit outlook for the integrated poultry division.

The retail sector is expected to witness a softer consumer sentiment as well as intense competition for sales. Consequently, the supermarket division is not expected to show much improvement in its performance in the next quarter.

The performance of the fast food division is expected to remain relatively unchanged.

18. Variance of actual profit from profit forecast

Not applicable as no profit forecast was published.

19. Tax expenses

	3 months ended		12 months ended	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Current taxation				
- Current	2,133	4,374	2,133	4,374
- Prior year	28	10	28	10
	<u>2,161</u>	<u>4,384</u>	<u>2,161</u>	<u>4,384</u>
Deferred taxation	937	308	937	308
	<u>3,098</u>	<u>4,692</u>	<u>3,098</u>	<u>4,692</u>

For the current quarter under review, the Group made provision for the current year taxation as business profit of certain subsidiary companies cannot be offset against the business loss of other subsidiary companies. The effective tax rate of the relevant subsidiaries is higher than the statutory tax rate due mainly to certain expenses being disallowed for tax purpose.

20. Corporate proposals and utilization of proceeds

a) Warrants

At the Extraordinary General Meeting of the Company held on 14 January 2015, the shareholders of the Company had approved the bonus issue of up to 65,889,550 warrants on the basis of one warrant for every two existing ordinary shares of RM0.50 each in the Company.

(FORWARD)

20. Corporate proposals and utilization of proceeds (Cont'd)

a) Warrants (Cont'd)

A total of 65,780,450 free warrants were issued on 9 February 2015 and listed on the Main Market of Bursa Malaysia Securities Berhad ("BMSB") on 13 February 2015 with a 5 years' exercise period and each warrant carries the entitlement to subscribe for one (1) new CAB Share at the exercise price of RM0.55 per warrant. Subsequently, pursuant to the share split and bonus issue in year 2017, 56,131,731 additional warrants were issued and listed as well as the exercise price of the warrant has been adjusted to RM0.17 each. The maturity date for the warrants is on the 8 February 2020.

As at 31 December 2018 a total of 75,069,342 warrants as below have been converted into shares.

Date of allotment	No. of Warrants exercised	Procced (RM)	Listing Date
In financial year ended 2015	9,650,375	5,307,706	
In financial year ended 2016	9,457,250	5,201,488	
In financial year ended 2017	27,506,460	12,374,051	
In financial year ended 2018	27,616,457	4,694,798	
04/10/2018	157,000	26,690	08/10/2018
11/10/2018	390,000	66,300	15/10/2018
25/10/2018	64,800	11,016	29/10/2018
09/11/2018	60,000	10,200	13/11/2018
22/11/2018	125,000	21,250	26/11/2018
07/12/2018	42,000	7,140	11/12/2018
	<u>75,069,342</u>	<u>27,720,639</u>	

All proceeds have been deposited into CAB Group Warrant Account and the proceeds were used for working capital purpose. As at 31 December 2018, the number of outstanding unexercised warrants is 46,842,839.

b) Corporate proposals not completed

There were no corporate proposals announced but not completed in the current quarter ended 31 December 2018 and up to the date of this interim financial report save as below.

- i) On 6 December 2015, the Company entered into a MOU with KMP Private Ltd. to undertake a feasibility study on the possibility of establishing a fully integrated farming poultry business in Indonesia on a joint venture basis with the Salim Group. On 26 April 2017 both parties have agreed to extend the MOU until 31 December 2017.

On 1 November 2017, CABINDO Poultry Sdn. Bhd. ("CABINDO"), a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement ("JVA") with PT Ternak Ayam Terpadu Indonesia ("PT"), to form several Joint Venture Companies ("JV CO") by combining their resources and expertise to produce halal poultry based products for the Indonesia's consumers. The JVA does not stipulate any terms on the investment amount that are required from CABINDO and PT (collectively referred to as the "JVA Parties") and instead, the JVA is required by the JVA Parties to facilitate their application to the Badan Koordinasi Penanaman Modal, Indonesia for its approval in relation to the incorporation of the JV Co.

- ii) On 7 June 2017, CAB Amesist Biomass Generation Sdn. Bhd. (a wholly-owned subsidiary company of the Company) had entered into a Memorandum of Understanding ("MOU-Panasonic") with Panasonic Eco Solutions Malaysia Sdn. Bhd. to carry out a feasibility study for establishing a joint solar farm project known as ECONATION PROJECT in Gurun Kedah, Malaysia. The MOU-Panasonic is valid for 24 months from the date of signing of the MOU-Panasonic.
- iii) On 20 September 2018, Ayam Kempas Food Industries Sdn. Bhd. ("AKFI"), a 58.23%-owned subsidiary company of CAB, entered into three (3) Sale and Purchase Agreements and two (2) Supplemental Agreements in relation to the acquisitions of (i) a single storey detached chicken slaughtering factory together with all the plant and machinery situated in that factory, (ii) an agricultural land together with fowl houses and motor vehicles and (iii) a three stories terrace shophouse for a total purchase consideration of RM28.86 million.

21. Group borrowings and debt securities

The Group's total bank borrowings as at 31 December 2018 are as follows:-

	As at 31 December 2018			As at 30 September 2018		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings:						
Bankers' acceptances	94,162	69,911	164,073	83,984	70,169	154,153
Term loans	24,480	-	24,480	25,184	-	25,184
Hire purchase payables	9,520	-	9,520	9,657	-	9,657
Bank overdrafts	1,719	2,088	3,807	1,171	1,595	2,766
Sub-total	129,881	71,999	201,880	119,996	71,764	191,760
Long-term borrowings:						
Term loans	199,462	-	199,462	202,521	-	202,521
Hire purchase payables	13,449	-	13,449	13,101	-	13,101
Sub-total	212,911	-	212,911	215,622	-	215,622
Total borrowings	342,792	71,999	414,791	335,618	71,764	407,382

The Group's total borrowings increased to RM414.79 million during the quarter under review as compared to RM407.38 million recorded in the financial year ended 30 September 2018 mainly due to the increase in utilization of bankers' acceptances. The Group increased its bankers' acceptances line to finance the purchase of raw material.

The foreign currency exposure profile of borrowings is as follow:

	As at 31 December 2018			As at 30 September 2018		
		Foreign Currency '000	RM Equivalent '000		Foreign Currency '000	RM Equivalent '000
Short Term Borrowing						
Secured	RM		124,571	RM		114,388
Unsecured	RM		71,999	RM		71,764
Secured	USD	1,017	4,208	USD	1,081	4,473
Secured	SGD	363	1,102	SGD	375	1,135
			201,880			191,760
Long Term Borrowing						
Secured	RM		162,877	RM		161,977
Secured	USD	8,576	35,485	USD	9,389	38,854
Secured	SGD	4,798	14,549	SGD	4,883	14,791
			212,911			215,622
Total Borrowing						
Secured	RM		287,448	RM		276,365
Unsecured	RM		71,999	RM		71,764
Secured	USD	9,593	39,693	USD	10,470	43,327
Secured	SGD	5,161	15,651	SGD	5,258	15,926
			414,791			407,382

22. Derivative financial instruments

The derivative financial asset as at 31 December, 2018 are carried at fair value through profit or loss as follows:

Financial instruments	Contracted Amount RM'000	Net Fair Value Gain RM'000
Forward Foreign Exchange Contracts: Sales Contracts - Less than 1 year	271	2
Cross Currency Interest Rate Swap Contracts: Purchase Contracts - More than 1 year	43,557	1,963

For the quarter ended 31 December 2018, there have been no significant changes to the Group's exposure to credit risk, market risk, liquidity risk and foreign currency risk from the previous financial year. The Group's financial risk management objectives or policies have also not been changed since the previous financial year.

23. Changes in material litigation

There were no material litigations as at the date of the interim financial report.

24. Proposed Dividend

The Directors of the Company had on 21 December 2018 declared a final single tier dividend of 0.50 sen per ordinary share for the financial year ended 30 September 2018. The said final single tier dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the financial statements.

No interim dividend has been declared during the current quarter ended 31 December 2018

25. Basic earnings per ordinary share

The basic earnings per ordinary share and diluted earnings per ordinary share are calculated based on the Group's net loss attributable to ordinary shareholders over the weighted average number of ordinary shares in issue as follows:-

	3 months ended		12 Months ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net profit attributable to shareholders (RM'000)	7,858	5,255	7,858	5,255
Weighted average number of shares				
a) Basic				
Weighted average number of ordinary shares in issue ('000)	645,529	617,329	645,529	617,329
b) Diluted				
Weighted average number of ordinary shares in issue ('000)	645,529	617,329	645,529	617,329
Adjustment for assumed exercised of Warrant ('000)	34,142	59,766	34,142	59,766
Adjusted weighted average number of ordinary shares ('000)	679,671	677,095	679,671	677,095
Basic earnings per ordinary share (sen)	1.22	0.85	1.22	0.85
Diluted earnings per ordinary share (sen)	1.16	0.78	1.16	0.78

The basic and diluted earnings per share of preceding corresponding quarter have been restated to conform to the effect of adoption of MFRS 141 and MFRS 15 on net profit attributable to shareholders.

26. Profit for the period

Profit for the period has been arrived at:

	3 months ended		3 months ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
After charging/(crediting):-				
Depreciation and amortization of non-current assets	11,204	9,079	11,204	9,079
Interest expenses	5,010	3,517	5,010	3,517
Share of loss in a joint venture	162	5	162	5
Net fair value loss/(gain) on derivative financial asset/ (liability)	71	(17)	71	(17)
Bad debts written off	7	247	7	247
Property, plant and equipment written off	-*	207	-*	207
(Gain)/loss on fair value adjustment of biological assets	(4,614)	6,463	(4,614)	6,463
Gain on disposal of investment properties	(3,407)	-	(3,407)	-
Interest revenue recognized in profit or loss	(245)	(352)	(231)	(352)
Net unrealized (gain)/loss on foreign exchange	(84)	57	(84)	57
(Gain)/loss on disposal of property, plant and equipment	(35)	14	(35)	14
Amortization of deferred revenue	(11)	(11)	(11)	(11)
Goodwill written off	-	80	-	80

* Negligible

27. Trade Receivables

	As at 31 December 2018 RM'000 (Unaudited)	As at 30 September 2018 RM'000 (Restated)
Trade receivables:		
Third parties	192,112	196,822
Related parties	3,306	4,424
Less: Allowance for impairment losses	(11,376)	(11,376)
Trade receivable, net	184,042	189,870
Other receivables:		
Third parties	17,380	19,412
Related parties	35	53
Less: Allowance for impairment losses	(2)	(2)
Other receivable, net	17,413	19,463
Total trade and other receivables	201,455	209,333

(FORWARD)

27. Trade Receivables (Cont'd)

Amounts owing by related parties are as follows:

	As at 31 December 2018 RM'000 (Unaudited)	As at 30 September 2018 RM'000 (Audited)
Included in trade receivables:		
YWT Contract Farming	2,230	3,659
Chyuan Heng Farming Sdn. Bhd.	208	-
Maju Jaya Farm	717	4
Toh York Mue	42	40
Aqina Farming Sdn. Bhd.	36	-
Hoang Dung Pte. Ltd.	29	30
OTO Agriculture Marketing Sdn. Bhd.	24	-
Chuah Ah Chui	18	22
Wei Heng Maju Farm Sdn. Bhd.	2	38
Sinmah Poultry Processing (S) Pte. Ltd.	-	499
Jaya Gading Marketing	-	72
Intelmatrix Sdn. Bhd.	-	60
	3,306	4,424
Included in other receivables:		
Unisetali Sdn. Bhd.	34	34
OTO Agriculture Marketing Sdn. Bhd.	1	-
Singapore Poultry Hub Pte. Ltd.	-	19
	35	53

There have been no significant changes to the average credit terms granted to third parties and related parties from the previous financial year.

Ageing of past due but not impaired trade receivables:

	As At 31 December 2018 RM'000 (Unaudited)	As at 30 September 2018 RM'000 (Audited)
Number of days past due:		
1 - 30 days	37,250	58,570
31 - 60 days	9,380	16,067
61 - 90 days	2,190	2,575
Over 91 days	13,149	9,636
Total	61,969	86,848

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. All debts exceed the credit terms are closely monitored by the Group's credit control team.

28. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution dated 27 February 2019.