

FARM'S BEST BERHAD (301653-V)
(Incorporated in Malaysia)

A) Notes in accordance to requirements under Financial Reporting Standards ("FRS")
No. 134 - Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. 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 December 2011.

2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2011 except for :

(i) mandatory adoption of the following new and revised Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int."), where applicable:

IC Int. 19 Amendments to IC Int. 14	Extinguishing Financial Liability with Equity Instruments Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

(ii) withdrawal of the following IC Interpretation:-

IC Int. 15	Agreements for the Construction of Real Estate
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Adoption of the above did not have any significant effects on the interim financial report upon their initial application. The effect of the withdrawal of IC Int. 15 is discussed below.

IC Interpretation 15: Agreements for the Construction of Real Estate

The Group had early adopted IC Interpretation 15: Agreements for the Construction of Real Estate on 1 January 2010. However the withdrawal of IC Interpretation 15 by MASB has resulted in a change in the accounting policy whereby property revenue and expenses in the statement of comprehensive income will now be recognised using the stage of completion method for all long term real estate development projects when the financial outcome of a development activity can be reliably estimated.

The change in accounting policy has been accounted for retrospectively and resulted in a prior year adjustment of RM1.21 million to retained earnings as at 1 January 2012.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

As certain of the Group's subsidiaries fall within the scope definition of Transitioning Entities, the Group will prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has commenced transitioning its accounting policies and financial reporting from the current FRS Framework to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

At the date of these interim financial statements, the Group has not completed its assessment and quantification of the financial effects of the differences between the FRS Framework and MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

3. Auditors' Report on Preceding Annual Financial Statements

The audited financial statements for the year ended 31 December 2011 were reported without any qualification.

4. Comments about Seasonal or Cyclical factors

The Company operations are not affected by any seasonal or cyclical factors.

5. 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 period ended 30 June 2012.

6. Changes in Estimates

The Group has not submitted any financial forecast or projections to any authorities during the current quarter and prior financial year ended 31 December 2011. As such, there is no change in estimates that had a material effect in the current quarter results.

7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities for the current quarter and financial year to-date.

8. Dividends paid

No dividend has been declared for the current quarter ended 30 June 2012.

9. Segmental information

The Group is organized into two main business segments:

- (i) Poultry - This consists of manufacturing and wholesale of animal feeds, poultry breeding, hatchery operations, contract farming, poultry processing and trading of feeds, day-old chicks, medications and vaccines.
- (ii) Property development - This consists of development and construction of residential and commercial properties.

Business segment

Segment information for the six months ended 30 June 2012 was as follows:

	<u>Poultry</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
2012				
Revenue	531,498	11,084	(378,920)	163,662
Results				
Segment results	5,910	780	-	6,690
Unallocated costs				(61)
Profit from operations				6,629
Finance income				71
Finance costs				(8,423)
Share of results of associated companies				(36)
Loss before tax				(1,759)

Segment information for the six months ended 30 June 2011 was as follows:

	<u>Poultry</u> RM'000	<u>Property development</u> RM'000 (restated)	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
2011				
Revenue	513,970	11,748	(335,495)	190,223
Results				
Segment results	15,903	37	-	15,940
Unallocated costs				(164)
Profit from operations				15,776
Finance income				29
Finance costs				(7,477)
Share of results of associated companies				(72)
Profit before tax				8,256

Unallocated costs represent common costs and expenses incurred in dormant subsidiary companies.

10. Subsequent Events

As at the date of this report, there were no material events subsequent to the current quarter ended 30 June 2012.

11. Changes to the composition of the Group

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

12. Contingent Liabilities

The Company provides corporate guarantee to financial institutions for all unsecured credit facilities granted to subsidiaries amounting to RM210.9 million as at 30 June 2012.

13. Capital Commitments

There were no material capital commitments during the quarter under review.

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**B) Notes in accordance to requirements under Chapter 9, Appendix 9B of the
 Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements**

14. Review of Current Quarter Events and Performance

The Group's performance for the current year's second quarter ended 30 June 2012 compared to the preceding year's second quarter ended 30 June 2011 is as shown in Table A below:

Table A

Description	3 months ended 30 Jun 2012 RM'000	3 months ended 30 Jun 2011 RM'000 (restated)	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	78,575	84,011	(5,436)	(6)
-Property development	8,454	7,508	946	13
	-----	-----		
	87,029	91,519		
	-----	-----		
Profit attributable to owners of the parent	227	4,006	(3,779)	(94)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 June 2012, the poultry segment recorded a decrease in revenue to RM78.6 million as compared with RM84.0 million in the corresponding quarter ended 30 June 2011, a decrease of 6%. The decrease was mainly due to lower average selling prices of live broilers and table eggs sold during the current quarter ended 30 June 2012 as compared to corresponding quarter ended 30 June 2011.

The property development segment posted a higher revenue of RM8.45 million in the current quarter ended 30 June 2012 as compared to the restated revenue of RM7.51 million in the corresponding quarter ended 30 June 2011, an increase of 13%. This was due to higher percentage of completion in the current quarter as compared to corresponding quarter ended 30 June 2011.

The Group posted a lower profit attributable to owners of the parent of RM227,000 during the current quarter ended 30 June 2012 as opposed to a restated profit attributable to owners of the parent of about RM4.0 million during the corresponding quarter ended 30 June 2011. This was mainly due to lower average selling prices of live broilers and table eggs sold during the current quarter ended 30 June 2012 as compared to the corresponding quarter ended 30 June 2011.

The Group's performance for the six months ended 30 June 2012 as compared to six months ended 30 June 2011 is as shown in Table B below:

Table B

Description	6 months ended 30 Jun 2012 RM'000	6 months ended 30 Jun 2011 RM'000 (restated)	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	152,578	178,475	(25,897)	(15)
-Property development	11,084	11,748	(664)	(6)
	-----	-----		
	163,662	190,223		
	-----	-----		
(Loss)/Profit attributable to owners of the parent	(2,682)	7,374	(10,056)	(136)

For the six months period ended 30 June 2012, the poultry segment recorded a decrease in revenue to RM152.6 million as compared with RM178.5 million in the corresponding period ended 30 June 2011, a decrease of 15%. The decrease was mainly due to lower average selling prices of live broilers and table eggs sold during the six months ended 30 June 2012 as compared to corresponding period ended 30 June 2011.

The property development segment posted a lower revenue of RM11.1 million in the six months period ended 30 June 2012 as compared to the restated revenue of RM11.7 million in the corresponding period ended 30 June 2011, a decrease of 6%. This was due to lower percentage of completion in the current quarter as compared to corresponding period ended 30 June 2011.

During the six months period ended 30 June 2012, the Group posted a loss attributable to owners of the parent of RM2.68 million as opposed to a profit attributable to owners of the parent of about RM7.37 million during the corresponding period ended 30 June 2011. This was mainly due to lower average selling prices of live broilers and table eggs sold.

15. Comparison to Preceding Quarter's Results

The Group's performance for the current year's second quarter ended 30 June 2012 compared to first quarter ended 31 March 2012 is as shown in Table C below:

Table C

Description	3 months ended 30 Jun 2012 RM'000	3 months ended 31 Mar 2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	78,575	74,003	4,572	6
-Property development	8,454	2,630	5,824	221
	-----	-----		
	87,029	76,633		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	227	(2,909)	3,136	108

For the current quarter ended 30 June 2012, the poultry segment posted a higher revenue of RM78.6 million compared to the turnover of RM74.0 million recorded in the previous quarter ended 31 March 2012, an increase of 6%. The increase was mainly due to higher average selling prices of live broilers sold during current quarter ended 30 June 2012.

The property development segment posted a higher revenue of RM8.5 million in the current quarter ended 30 June 2012 as compared to the revenue of RM2.6 million in the preceding quarter ended 31 March 2012. This was due to higher percentage of completion in the current quarter.

The Group posted a profit attributable to owners of the parent of RM227,000 during the current quarter ended 30 June as compared to a loss of RM2.91 million during the previous quarter ended 31 March 2012. This was mainly due to the increase in average selling prices of live broilers. However the increase in profit was partially set-off by the decrease in average selling prices of table eggs sold.

16. Prospects

Going forward, the Group is hopeful that the prices of poultry products for the coming months of the financial year 2012 will improve further. Though the prices of certain major raw material are in an increasing trend, the Group had hedged its positions competitively over the coming months.

With the above position, the Group is hopeful in reporting a better set of results in the remaining quarters of the financial year ending 31 December 2012.

17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 30 June 2012 and 31 December 2011 is analysed as follows:

	As at 30 Jun 2012 RM'000 (Unaudited)	As at 31 Dec 2011 RM'000 (restated)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	95,503	84,824
- Unrealised	4,015	3,959
	99,518	88,783
Total share of accumulated losses of associates		
- Realised	768	732
	100,286	89,515
Less: Consolidation adjustments	(70,938)	(62,849)
	29,348	26,666

The disclosure of realised and unrealised losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

18. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

19. Profit/(Loss) before tax

Profit before tax is arrived at after charging/(crediting):-

	Current Year Quarter ended 30 Jun 2012 RM'000	Preceding Year Quarter ended 30 Jun 2011 RM'000	Current Year to- date 30 Jun 2012 RM'000	Preceding Year to- date 30 Jun 2011 RM'000
Depreciation and amortization	2,193	2,262	4,664	4,592
Foreign exchange (gain) / loss (Gain) / loss on disposal of properties, plant and equipment	7	(350)	73	(896)
Impairment of assets	(46)	(106)	(49)	(270)
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	(326)	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

20. Taxation

The income tax (expense)/income to the Group for the current quarter under review is as follows:

	Quarter ended 30 Jun 2012 RM '000	Year to-date 30 Jun 2012 RM '000	Quarter ended 30 Jun 2011 RM '000	Year to-date 30 Jun 2011 RM '000
Current tax	(503)	(1,074)	(494)	(896)
Deferred tax	(21)	150	11	29
Total income tax expense	(524)	(924)	(483)	(867)

The tax charge is in respect of profits of certain subsidiaries which do not enjoy group loss relief and other tax incentives.

21. Corporate Proposals

There were no corporate proposals for the current quarter.

22. Group Borrowings

Group borrowings and debt securities as at the end of the reporting period:

- All borrowings in the Group are secured by way of fixed and floating charges and negative pledges over the assets of certain subsidiaries in the Group and corporate guarantees given by the Company.
- Group borrowings as at the end of the reporting period are as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Bank Overdraft	25,304	-	25,304
Bankers Acceptance	40,374	-	40,374
Revolving Credit	85,520	-	85,520
Hire Purchase Creditors	1,238	2,457	3,695
Term Loans	6,344	58,927	65,271
	158,780	61,384	220,164

Except for a US Dollar Term Loan with balance outstanding as at 30 June 2012 of US\$458,000 owing to Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A. (Rabobank Nederland), Singapore Branch, all other borrowings of the Group are denominated in Ringgit Malaysia. The following are the detailed breakdown of the Group's borrowings in local and foreign currency as at 30 June 2012:

Type of Borrowings	Foreign Currency US\$'000	RM Equivalent RM'000	Local Currency RM'000	Total Borrowings RM'000
Bank Overdraft	-	-	25,304	25,304
Bankers Acceptance	-	-	40,374	40,374
Revolving Credit	-	-	85,520	85,520
Hire Purchase	-	-	3,695	3,695
Term Loans	458	1,461	63,810	65,271
Total	458	1,461	218,703	220,164

23. Financial Instruments

Fair value hierarchy

As at 30 June 2012, the Group held the following financial instruments carried at fair value on the statement of financial position:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1, that are observable for asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At 30 June 2012

	Level 1	Level 2	Total
	RM '000	RM '000	RM '000
Assets measured at fair value			
Quoted investments at fair value through profit or loss	27	-	27
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	216,469	216,469

At 30 June 2011

	Level 1	Level 2	Total
	RM '000	RM '000	RM '000
Assets measured at fair value Quoted investments at fair value through profit or loss	26	-	26
Liabilities measured at fair value Borrowings carried at fair value through profit or loss	-	207,035	207,035

There were no off balance sheet financial instruments as at 27 August 2012.

24. Material Litigations

There was no material litigation for the current quarter under review.

25. Dividend

No interim dividend has been declared for the quarter ended 30 June 2012 (30 June 2011: Nil).

26. Earnings Per Share

	Current Year Quarter Ended 30/6/2012	Preceding Year Quarter Ended 30/6/2011 (restated)	Current Year To-Date 30/6/2012	Preceding Year To-Date 30/6/2011 (restated)
Profit/(loss) attributable to owners of the parent (RM'000)	227	4,006	(2,682)	7,374
Weighted average number of shares - ('000)	55,530	55,530	55,530	55,530
Basic earnings/(loss) per share (sen)	0.41	7.21	(4.83)	13.28

Basic earnings/(loss) per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

There is no dilution in the earnings per share during the current quarter and financial year to-date.

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with resolution of the Directors on 27 August 2012.