

**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 2012. 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 2012.

**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 2012 except for mandatory adoption of the following new and revised Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int."), where applicable:

FRS 1	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards (Government Loans)
FRS 1	Amendments to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs - 2012)
FRS 7	Amendments to FRS 7 Financial Instruments : Disclosures (Offsetting Financial Assets and Financial Liabilities)
FRS 10	Consolidated Financial Statements
FRS 10	Amendments to FRS 10 Consolidated Financial Statements (Transition Guidance)
FRS 11	Joint Arrangements
FRS 11	Amendments to FRS 11 Joint Arrangements (Transition Guidance)
FRS 12	Disclosure of Interests in Other Entities
FRS 12	Amendments to FRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
FRS 13	Fair Value Measurement
FRS 101	Amendments to FRS 101 Presentation of Financial Statements (Improvements to FRSs - 2012)
FRS 116	Amendments to FRS 116 Property, Plant and Equipment (Improvements to FRSs - 2012)
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associate and Joint Ventures

FRS 132	Amendments to FRS 132 Financial Instruments: Presentation (Improvements to FRSs - 2012)
FRS 134	Amendments to FRS134 Interim Financial Reporting (Improvements to FRSs - 2012)
IC Int. 2	Amendment to IC Int. 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs - 2012)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Adoption of the above did not have any significant effects on the interim financial report upon their initial application.

### **Property, plant and equipment**

As from 1 January 2013, the Group changed its accounting policy to measure its freehold and leasehold land and buildings at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognized in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### **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 until 1 January 2014. 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 for the year ended 31 December 2012 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 2012 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 31 March 2013.

### **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 2012. 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 31 March 2013.

## **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 three months ended 31 March 2013 was as follows:

	<u>Poultry</u> RM'000	<u>Property</u> <u>development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
<b>2013</b>				
<b>Revenue</b>	314,712	15,608	(213,902)	116,418
<b>Results</b>				
Segment results	4,847	1,084	-	5,931
Unallocated costs				75
Profit from operations				6,006
Finance income				264
Finance costs				(5,183)
Share of results of associated companies				66
Profit before tax				1,153

Segment information for the twelve months ended 31 March 2012 was as follows:

	<u>Poultry</u> RM'000	<u>Property</u> <u>development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
<b>2012</b>				
<b>Revenue</b>	256,300	3,990	(183,657)	76,633
<b>Results</b>				
Segment results	1,165	174	-	1,339
Unallocated costs				(172)
Profit from operations				1,167
Finance income				2
Finance costs				(4,182)
Share of results of associated companies				(19)
Loss before tax				(3,032)

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 31 March 2013 except for the following:-

- a) The Company proposed to issue 11,106,000 free warrants ("Free Warrants") on the basis of one (1) Free Warrant for every five (5) existing ordinary shares of RM1.00 each in FBB ("FBB Shares" or "Shares") held at an entitlement date to be determined later ("Proposed Free Warrants Issue") and to undertake a private placement of up to 5,553,000 FBB Shares ("Placement Shares"), representing approximately ten percent (10%) of the issued and paid-up share capital of the Company together with up to 16,659,000 free detachable warrants ("Placement Warrants") on the basis of three (3) Placement Warrants for every one (1) Placement Share subscribed ("Proposed Private Placement of Shares with Warrants").

An announcement was duly made to Bursa Malaysia Securities Berhad on 25 April 2013.

- b) The Company had on 3 May 2013 acquired 1,000 shares of 20,000 Riels each representing the entire equity interest in FARM'S BEST (Cambodia) Co., Ltd. for a total cash consideration of 20,000,000 Riels.

An announcement was duly made to Bursa Malaysia Securities Berhad on 7 May 2013.

## **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 RM259.6 million as at 31 March 2013.

## **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 first quarter ended 31 March 2013 compared to the preceding year's first quarter ended 31 March 2012 is as shown in Table A below:

Table A

Description	3 months ended 31 Mar 2013 RM'000	3 months ended 31 Mar 2012 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	103,789	74,003	29,786	40
-Property development	12,629	2,630	9,999	380
	-----	-----		
	116,418	76,633		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	511	(2,909)	3,420	118

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 March 2013, the poultry segment recorded an increase in revenue to RM103.8 million as compared with RM74.0 million in the corresponding quarter ended 31 March 2012, an increase of 40%. The increase was mainly due to increase in average selling prices of live broilers and table eggs sold during the current quarter ended 31 March 2013 as compared to corresponding quarter ended 31 March 2012.

The property development segment posted a higher revenue of RM12.6 million in the current quarter ended 31 March 2013 as compared to the revenue of RM2.63 million in the corresponding quarter ended 31 March 2012, an increase of 380%. This was due to more sales of properties and progress billings in the current quarter as compared to corresponding quarter ended 31 March 2012.

The Group posted a profit attributable to owners of the parent of RM511,000 during the current quarter ended 31 March 2013 as opposed to a loss attributable to owners of the parent of about RM2.9 million during the corresponding quarter ended 31 March 2012. This was mainly due to the increase in average selling price of live broilers and table eggs sold during the current quarter ended 31 March 2013 as compared to corresponding quarter ended 31 March 2012.

## 15. Comparison to Preceding Quarter's Results

The Group's performance for the current year's first quarter ended 31 March 2013 compared to previous year's fourth quarter ended 31 December 2012 is as shown in Table B below:

Table B

Description	3 months ended 31 Mar 2013 RM'000	3 months ended 31 Dec 2012 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	103,789	97,195	6,594	7
-Property development	12,629	6,572	6,057	92
	-----	-----		
	116,418	103,767		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	511	(7,552)	8,063	107

For the current quarter ended 31 March 2013, the poultry segment posted a higher revenue of RM103.8 million compared to the turnover of RM97.2 million recorded in the previous quarter ended 31 December 2012, an increase of 7%. The increase was mainly due to higher average selling prices of live broilers and processed poultry products during the current quarter ended 31 March 2013. There was also higher sales volume and selling price of table eggs sold during current quarter ended 31 March 2013.

The property development segment posted a higher revenue of RM12.6 million in the current quarter ended 31 March 2013 as compared to the revenue of RM6.6 million in the preceding quarter ended 31 December 2012, an increase of 92%. This was due to more sales of properties and progress billings in the current quarter as compared to previous quarter ended 31 December 2012.

The Group posted a profit attributable to owners of the parent of RM511,000 during the current quarter ended 31 March 2013 as opposed to a loss attributable to owners of the parent of RM7.6 million during the previous quarter ended 31 December 2012. This was mainly due to the increase in average selling price of live broilers and processed poultry products. There was also higher sales volume and selling price of table eggs sold during the current quarter ended 31 March 2013 as compared to previous quarter ended 31 December 2012. In addition to the above, the Group also provided for impairment of goodwill of RM2.0 million arising from the acquisition of a wholly owned subsidiary in the previous quarter.

## 16. Prospects

Going forward, the Group is hopeful that the prices of poultry products for the second quarter of the financial year 2013 will be better and the prices of major imported raw materials are also expected to reduce in the coming quarter. This will lead the Group to report a better set of results in the second quarter of the financial year ending 31 December 2013.



## 17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 31 March 2013 and 31 December 2012 is analysed as follows:

	As at 31 Mar 2013 RM'000 (Unaudited)	As at 31 Dec 2012 RM'000
Total accumulated losses of the Group and its subsidiaries:		
- Realised	93,750	94,741
- Unrealised	5,936	3,983
	<u>99,686</u>	<u>98,724</u>
Total share of accumulated losses of associates		
- Realised	2,204	2,270
	<u>101,890</u>	<u>100,994</u>
Less: Consolidation adjustments	(66,205)	(64,798)
	<u>35,685</u>	<u>36,196</u>

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 31 Mar 2013 RM'000	Preceding Year Quarter ended 31 Mar 2012 RM'000	Current Year to- date 31 Mar 2013 RM'000	Preceding Year to- date 31 Mar 2012 RM'000
Depreciation and amortization	2,605	2,471	2,605	2,471
Foreign exchange (gain) / loss	(14)	66	(14)	66
(Gain) / loss on disposal of properties, plant and equipment	(43)	(3)	(43)	(3)
Impairment of assets	-	-	-	-
Impairment of goodwill	-	(326)	-	(326)
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
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 31 Mar 2013 RM '000	Quarter ended 31 Mar 2012 RM '000	Year to-date 31 Mar 2013 RM '000	Year to-date 31 Mar 2012 RM '000
Current tax	(478)	(571)	(478)	(571)
Deferred tax	(268)	171	(268)	171
Total income tax expense	(746)	(400)	(746)	(400)

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:

(a) 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.

(b) 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	23,971	-	23,971
Bankers Acceptance	34,630	-	34,630
Revolving Credit	125,129	-	125,129
Hire Purchase Creditors	1,422	3,691	5,113
Term Loans	5,889	72,775	78,664
	<u>191,041</u>	<u>76,466</u>	<u>267,507</u>

Except for a US Dollar Term Loan with balance outstanding as at 31 March 2013 of US\$376,570 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 31 March 2013:

Type of Borrowings	Foreign Currency US\$'000	RM Equivalent RM'000	Local Currency RM'000	Total Borrowings RM'000
Bank Overdraft	-	-	23,971	23,971
Bankers Acceptance	-	-	34,630	34,630
Revolving Credit	-	-	125,129	125,129
Hire Purchase	-	-	5,113	5,113
Term Loans	377	1,198	76,466	78,664
<b>Total</b>	<b>377</b>	<b>1,198</b>	<b>265,309</b>	<b>267,507</b>

### 23. Financial Instruments

#### Fair value hierarchy

As at 31 December 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 31 March 2013**

	<b>Level 1</b> RM '000	<b>Level 2</b> RM '000	<b>Total</b> RM '000
<b>Assets measured at fair value</b>			
Quoted investments at fair value through profit or loss	26	-	26
<b>Liabilities measured at fair value</b>			
Borrowings carried at fair value through profit or loss	-	262,460	262,460

**At 31 March 2012**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Assets measured at fair value</b> Quoted investments at fair value through profit or loss	27	-	27
<b>Liabilities measured at fair value</b> Borrowings carried at fair value through profit or loss	-	216,180	216,180

There were no off balance sheet financial instruments as at 29 May 2013.

**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 31 March 2013 (31 March 2012: Nil).

**26. Earnings Per Share**

	Current Year Quarter Ended 31/3/2013	Preceding Year Quarter Ended 31/3/2012	Current Year To-Date 31/3/2013	Preceding Year To-Date 31/3/2012
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	511	(2,909)	511	(2,909)
<b>Weighted average number of shares - ('000)</b>	55,530	55,530	55,530	55,530
<b>Basic earnings/(loss) per share (sen)</b>	0.92	(5.24)	0.92	(5.24)

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 29 May 2013.