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.

IC Int. 15 Agreements for the Construction of Real Estate was withdrawn by MASB and no longer effective for accounting periods beginning on or after 1 January 2012. This interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provide guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

During the financial year ended 31 December 2010, the Group had early adopted IC Interpretation 15 Agreements for the Construction of Real Estate and recognized such revenue at completion, or upon or after delivery of the development properties.

Following the withdrawal of this Interpretation, the Group changed its accounting policy to recognize revenue arising from property development projects using the stage of completion method in accordance to FRS 201 Property Development Activities.

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 extend 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.

As a result of the changes in the Group's accounting policy to measure its freehold and leasehold land and buildings at fair value, there is a fair value adjustments of RM86.8 million recognised in the carrying amount of the property, plant and equipment since the first quarter of 2013. Correspondingly, as a result of the fair value adjustment, there is a deferred tax impact on the fair value adjustment amounting to RM16.6 million. Hence, the net amount of RM70.2 million was recognised in the asset revaluation reserve in the statement of changes in equity.

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 2015. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

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 2015. 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 2015.

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 30 June 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 30 June 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 six months ended 30 June 2013 was as follows:

	Poultry RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
2013				
Revenue	652,593	23,194	(457,609)	218,178
Results				
Segment results	14,346	1,274	-	15,620
Unallocated costs				(2,353)
Profit from operations				13,267
Finance income				658
Finance costs				(10,787)
Share of results of associated companies				66
Profit before tax				3,204

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

	Poultry RM'000	Property development RM'000	Eliminations RM'000	Group 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)

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 2013 except for the following:-

The Company's proposal 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 5:00 p.m. on 11 July 2013 was completed on 19 July 2013.

An announcement was duly made to Bursa Malaysia Securities Berhad on 19 July 2013.

The Company's proposed 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") was completed on 26 July 2013.

An announcement was duly made to Bursa Malaysia Securities Berhad on 26 July 2013.

The utilization of proceeds of the proposed private placement will be reported in the coming quarter ending 30 September 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 except for the following:

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 or the equivalent of approximately RM15,000.

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

12. Contingent Liabilities

The Company provides corporate guarantee to financial institutions for all unsecured credit facilities granted to subsidiaries amounting to RM278.9 million as at 30 June 2013.

13. Capital Commitments

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

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 2013 compared to the preceding year's second quarter ended 30 June 2012 is as shown in Table A below:

Table A

Description	3 months ended 30 Jun 2013 RM'000	3 months ended 30 Jun 2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	97,922	78,575	19,347	25
-Property development	3,838	8,454	(4,616)	(55)
	---------	---------		
	101,760	87,029		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	1,719	227	1,492	657

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 June 2013, the poultry segment recorded an increase in revenue to RM97.9 million as compared with RM78.6 million in the corresponding quarter ended 30 June 2012, an increase of 25%. The increase was mainly due to increase in average selling prices of live broilers, processed poultry products and table eggs sold during the current quarter ended 30 June 2013 as compared to corresponding quarter ended 30 June 2012.

The property development segment posted a lower revenue of RM3.84 million in the current quarter ended 30 June 2013 as compared to the revenue of RM8.45 million in the corresponding quarter ended 30 June 2012, a decrease of 55%. This was due to lesser sales of properties and progress billings in the current quarter ended 30 June 2013 as compared to corresponding quarter ended 30 June 2012.

The Group posted a profit attributable to owners of the parent of RM1.72 million during the current quarter ended 30 June 2013 as compared to a profit attributable to owners of the parent of about RM227,000 during the corresponding quarter ended 30 June 2012. This was mainly due to the increase in average selling price of live broilers, processed poultry products and table eggs sold during the current quarter ended 30 June 2013 as compared to corresponding quarter ended 30 June 2012.

The Group's performance for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 is as shown in Table B below:

Table B

Description	**6 months ended 30 Jun 2013 RM'000**	**6 months ended 30 Jun 2012 RM'000**	**Increase/(Decrease)**	
			RM'000	**%**
Revenue				
-Poultry	201,711	152,578	49,133	32
-Property development	16,467	11,084	5,383	49
	---------	---------		
	218,178	163,662		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	2,231	(2,682)	4,913	N/A

For the six months period ended 30 June 2013, the poultry segment recorded an increase in revenue to RM201.7 million as compared with RM152.6 million in the corresponding period ended 30 June 2012, an increase of 32%. The increase was mainly due to increase in average selling prices of live broilers, processed poultry products and table eggs sold during the six months period ended 30 June 2013 as compared to corresponding period ended 30 June 2012.

The property development segment posted a higher revenue of RM16.47 million in the six months period ended 30 June 2013 as compared to the revenue of RM11.08 million in the corresponding period ended 30 June 2012, an increase of 49%. This was due to more sales of properties and progress billings during the six months period ended 30 June 2013 as compared to corresponding period ended 30 June 2012.

The Group posted a profit attributable to owners of the parent of RM2.23 million during the six months period ended 30 June 2013 as opposed to a loss attributable to owners of the parent of about RM2.68 million during the corresponding period ended 30 June 2012. This was mainly due to the increase in average selling price of live broilers, processed poultry products and table eggs sold during the six months period ended 30 June 2013 as compared to corresponding period ended 30 June 2012.

15. Comparison to Preceding Quarter's Results

The Group's performance for the current year's second quarter ended 30 June 2013 compared to the first quarter ended 31 March 2013 is as shown in Table C below:

Table C

Description	3 months ended 31 June 2013 RM'000	3 months ended 31 Mar 2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	97,922	103,789	(5,867)	(6)
-Property development	3,838	12,629	(8,791)	(70)
	---------	---------		
	101,760	116,418		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	1,719	511	1,208	236

For the current quarter ended 30 June 2013, the poultry segment posted a slightly lower revenue of RM97.9 million compared to the turnover of RM103.8 million recorded in the previous quarter ended 31 March 2013, a decrease of 6%. The decrease was mainly due to decrease in sales volume of live broilers and table eggs during the current quarter ended 30 June 2013.

The property development segment posted a lower revenue of RM3.8 million in the current quarter ended 30 June 2013 as compared to the revenue of RM12.6 million in the preceding quarter ended 31 March 2013, a decrease of 70%. This was due to lesser sales of properties and progress billings in the current quarter ended 30 June 2013 as compared to previous quarter ended 31 March 2013.

The Group posted a profit attributable to owners of the parent of RM1.72 million during the current quarter ended 30 June 2013 as compared to a profit attributable to owners of the parent of RM511,000 during the previous quarter ended 31 March 2013. This was mainly due a decrease in production cost resulting from decrease in average purchase prices of imported raw feed stuff during the current quarter ended 30 June 2013 coupled with a better average selling prices of live broilers as compared to previous quarter ended 31 March 2013.

16. Prospects

As at the date of this report, the prices of poultry products for the third quarter of the financial year 2013 are expected to remain stable. Besides that, the prices of major imported raw materials are also expected to reduce further in the coming quarter. As such, the Group hopes to report a better set of results in the third quarter of the financial year ending 31 December 2013.

17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 30 June 2013 and 31 March 2013 is analysed as follows:

	As at 30 Jun 2013 RM'000 (Unaudited)	As at 31 Mar 2013 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	90,837	93,750
- Unrealised	5,976	5,936
	96,813	99,686
Total share of accumulated losses of associates		
- Realised	2,138	2,204
	98,951	101,890
Less: Consolidation adjustments	(64,986)	(66,205)
	33,965	35,685

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 2013 RM'000	Preceding Year Quarter ended 30 Jun 2012 RM'000	Current Year to-date 30 Jun 2013 RM'000	Preceding Year to-date 30 Jun 2012 RM'000
Depreciation and amortization	3,175	2,193	5,780	4,664
Foreign exchange (gain) / loss	(42)	7	(56)	73
(Gain) / loss on disposal of properties, plant and equipment	(65)	(46)	(108)	(49)
Impairment of assets	-	-	-	-
Impairment of investment in associates	353	1,538	353	1,538
Provision for write-off of receivables	-	-	-	(326)
Provision for 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 30 Jun 2013 RM '000	Year to-date 30 Jun 2013 RM '000	Quarter ended 30 Jun 2012 RM '000	Year to-date 30 Jun 2012 RM '000
Current tax	**(259)**	**(737)**	**(503)**	**(1,074)**
Deferred tax	**50**	**(218)**	**(21)**	**150**
Total income tax expense	**(209)**	**(955)**	**(524)**	**(924)**

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

The Company had on 23 May 2013 obtained approval from Bursa Malaysia Securities Berhad and subsequently on 27 June 2013, had obtained its shareholders approval for the following corporate proposals:

Proposal 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”) and proposed 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”).

As stated in Note 10 above, the above proposals were completed in July 2013.

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	46,882	-	46,882
Bankers Acceptance	31,816	-	31,816
Revolving Credit	125,128	-	125,128
Hire Purchase Creditors	1,621	4,424	6,045
Term Loans	5,890	70,600	76,490
	211,337	75,024	286,361

Except for a US Dollar Term Loan with balance outstanding as at 30 June 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 30 June 2013:

Type of Borrowings	Foreign Currency **US$'000**	RM Equivalent **RM'000**	Local Currency **RM'000**	Total Borrowings **RM'000**
Bank Overdraft	-	-	46,882	46,882
Bankers Acceptance	-	-	31,816	31,816
Revolving Credit	-	-	125,128	125,128
Hire Purchase	-	-	6,045	6,045
Term Loans	377	1,198	75,292	76,490
Total	377	1,198	285,163	286,361

23. Financial Instruments

Fair value hierarchy

As at 30 June 2013, 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 2013

	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	**30**	**-**	**30**
Liabilities measured at fair value Borrowings carried at fair value through profit or loss	**-**	**280,316**	**280,316**

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**

There were no off balance sheet financial instruments as at 27 August 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 30 June 2013 (30 June 2012: Nil).

26. Earnings Per Share

	Current Year Quarter Ended 30/6/2013	Preceding Year Quarter Ended 30/6/2012	Current Year To-Date 30/6/2013	Preceding Year To-Date 30/6/2012
Profit/(loss) attributable to owners of the parent (RM'000)	1,719	227	2,231	(2,682)
Weighted average number of shares – ('000)	55,530	55,530	55,530	55,530
Basic earnings/(loss) per share (sen)	3.10	0.41	4.02	(4.83)

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 2013.