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 31 December 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, except for the following:

The Company had completed its corporate proposal with the issuance of the following:

Ordinary Shares

Date of Issue	Description	No. of Shares Issued
25 July 2013	Placement Shares	5,553,000

Warrants

Date of Issue	Description	No. of Warrants Issued
18 July 2013	Free Warrants	11,106,052
25 July 2013	Placement Warrants	16,659,000
		27,765,052

8. Dividends paid

No dividend has been declared for the current quarter ended 31 December 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 twelve months ended 31 December 2013 was as follows:

	Poultry RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
2013				
Revenue	1,470,599	45,037	(1,045,209)	470,427
Results				
Segment results	27,384	2,537	-	29,921
Unallocated costs				(1,260)
Profit from operations				28,661
Finance income				1,335
Finance costs				(20,783)
Share of results of associated companies				-
Profit before tax				9,213

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

	Poultry RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
2012				
Revenue	1,141,511	26,624	(767,621)	400,514
Results				
Segment results	11,008	685	-	11,693
Unallocated costs				(134)
Profit from operations				11,559
Finance income				582
Finance costs				(19,704)
Share of results of associated companies				(581)
Loss before tax				(8,144)

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 December 2013, except for the following:

On 20 January 2014, the Company had entered into a Heads of Agreement (“HOA”) with Zhu Zong Ying and Zheng Wendi (“Target Shareholders”) as well as SHH (Malaysia) Sdn Bhd (“SHH Malaysia”) for their participation in the corporate exercise of the Company which, inter-alia shall encompass the following:

(i) for the Target Shareholders to set up a Newco;
(ii) for the Company to conduct and implement the Proposed Par Value Reduction, Proposed Acquisition, Proposed Securities Exchange, Proposed Offer for Sale, Proposed Special Issue and Proposed Transfer of Listing Status; and
(iii) for the Target Shareholders , SHH Malaysia and Newco to participate in the proposals to be undertaken by the Company and eventually to apply for the listing of and quotation for the entire issued and fully paid-up share capital of Newco and Newco Warrants on the Main Market of Bursa Securities Malaysia Berhad (“Bursa Securities”), assuming the listing status of the Company.

Details of the above have been announced to the Bursa Securities on 20 January 2014.

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 RM245.1 million as at 31 December 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 fourth quarter ended 31 December 2013 compared to the preceding year's fourth quarter ended 31 December 2012 is as shown in Table A below:

Table A

Description	3 months ended 31 Dec 2013 RM'000	3 months ended 31 Dec 2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	135,248	97,195	38,053	39
-Property development	5,856	6,572	(716)	(11)
	---------	---------		
	141,104	103,767		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	316	(7,552)	8,262	N/A

<u>Detailed analysis for current quarter and corresponding quarter</u>

For the current quarter ended 31 December 2013, the poultry segment recorded an increase in revenue to RM135.25 million as compared with RM97.20 million in the corresponding quarter ended 31 December 2012, an increase of 39%. The increase was mainly due to increase in sales volume and average selling prices of live broilers and table eggs sold during the current quarter ended 31 December 2013 as compared to corresponding quarter ended 31 December 2012.

The property development segment posted a lower revenue of RM5.86 million in the current quarter ended 31 December 2013 as compared to the revenue of RM6.57 million in the corresponding quarter ended 31 December 2012, a decrease of 11%. This was due to decrease in the number of units of property sold in the current quarter ended 31 December 2013 as compared to corresponding quarter ended 31 December 2012.

The Group posted a profit attributable to owners of the parent of RM0.32 million during the current quarter ended 31 December 2013 as opposed to a loss attributable to owners of the parent of about RM7.55 million during the corresponding quarter ended 31 December 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 December 2013 as compared to corresponding quarter ended 31 December 2012.

The Group's performance for the twelve months ended 31 December 2013 as compared to the twelve months ended 31 December 2012 is as shown in Table B below:

Table B

Description	12 months ended 31 Dec 2013 RM'000	12 months ended 31 Dec 2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	440,565	383,794	56,771	15
-Property development	29,862	16,720	13,142	79
	---------	---------		
	470,427	400,514		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	4,250	(9,530)	14,174	N/A

For the twelve months period ended 31 December 2013, the poultry segment recorded an increase in revenue to RM440.57 million as compared with RM383.79 million in the corresponding period ended 31 December 2012, an increase of 15%. The increase was mainly due to increase in sales volume and average selling prices of live broilers and table eggs sold during the twelve months period ended 31 December 2013 as compared to corresponding period ended 31 December 2012.

The property development segment posted a higher revenue of RM29.86 million in the twelve months period ended 31 December 2013 as compared to the revenue of RM16.72 million in the corresponding period ended 31 December 2012, an increase of 79%. This was due to more properties sold and higher recognition of revenue on the percentage of completion basis in the twelve months period ended 31 December 2013 as compared to corresponding period ended 31 December 2012.

The Group posted a profit attributable to owners of the parent of RM4.25 million during the twelve months period ended 31 December 2013 as opposed to a loss attributable to owners of the parent of about RM9.53 million during the corresponding period ended 31 December 2012. This was mainly due to the increase in average selling price of live broilers and table eggs sold during the twelve months period ended 31 December 2013 as compared to corresponding period ended 31 December 2012.

Moreover, in 2012, there were recognition allowances for impairment of goodwill million of RM4.09 million` and impairment of receivables of RM2.35 million

15. Comparison to Preceding Quarter's Results

The Group's performance for the current year's fourth quarter ended 31 December 2013 compared to the third quarter ended 30 September 2013 is as shown in Table C below:

Table C

Description	3 months ended 31 Dec 2013 RM'000	3 months ended 30 Sep 2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	135,248	103,606	31,642	31
-Property development	5,856	7,539	(1,683)	(22)
	---------	---------		
	141,104	111,145		
	---------	---------		
Profit/(Loss) attributable to owners of the parent	316	1,704	(1,388)	(81)

For the current quarter ended 31 December 2013, the poultry segment posted a higher revenue of RM135.25 million compared to the turnover of RM103.61 million recorded in the previous quarter ended 30 September 2013, a increase of 31%. The increase was mainly due to increase in sales volume of live broilers and increase in sales volume and average selling price of table eggs during the current quarter ended December 2013.

The property development segment posted a lower revenue of RM5.86 million in the current quarter ended 31 December 2013 as compared to the revenue of RM7.54 million in the preceding quarter ended 30 September 2013, a decrease of 22%. This was due to lower recognition of revenue on the percentage of completion basis in the current quarter ended 31 December 2013 as compared to previous quarter ended 30 September 2013.

The Group posted a profit attributable to owners of the parent of RM0.32 million during the current quarter ended 31 December 2013 as compared to a profit attributable to owners of the parent of RM1.70 million during the previous quarter ended 30 September 2013. Despite a significant increase in revenue, the Group posted a lower profit attributable to owners of the parent. This was mainly due to the increase in cost of production resulting from increase in average purchase price of raw feedstuffs coupled by a decrease in average selling price of live broilers during the current quarter ended 31 December 2013. However, the above was partially offset by increase in average selling price of table eggs during the current quarter ended 31 December 2013.

Furthermore, there was additional depreciation charge of RM1.70 million incurred on the revalued land and buildings of the Group. Besides that, there was additional tax provision of RM2.4 million and deferred tax provision of RM994,000 during the current quarter ended 31 December 2013.

16. Prospects

Current average purchase prices of imported raw materials are lower than the average purchase prices in the quarter under review. The current selling prices of poultry products are also stable. With these, the Group cautiously expects to report a positive set of results in the first quarter of the next financial year ending 31 December 2014.

17. Disclosure of Realised and Unrealised Profits or Losses

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

	As at 31 Dec 2013 RM'000 (Unaudited)	**As at 31 Dec 2012 RM'000 (Audited)**
Total accumulated losses of the Group and its subsidiaries:		
- Realised	84,416	94,741
- Unrealised	6,981	3,983
	91,397	98,724
Total share of accumulated losses of associates		
- Realised	2,270	2,270
	93,667	100,994
Less: Consolidation adjustments	(59,637)	(64,798)
	34,030	36,196

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 Dec 2013 RM'000	Preceding Year Quarter ended 31 Dec 2012 RM'000	Current Year to-date 31 Dec 2013 RM'000	Preceding Year to-date 31 Dec 2012 RM'000
Depreciation and amortization	3,574	1,808	12,171	9,733
Foreign exchange (gain) / loss	26	(101)	28	(40)
(Gain) / loss on disposal of properties, plant and equipment	(52)	(105)	(200)	(265)
Impairment of assets	-	-	-	-
Impairment of goodwill	-	2,000	-	2,000
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 31 Dec 2013 RM '000	Year to-date 31 Dec 2013 RM '000	Quarter ended 31 Dec 2012 RM '000	Year to-date 31 Dec 2012 RM '000
Current tax	**(2,430)**	**(3,563)**	**(98)**	**(468)**
Deferred tax	**(994)**	**(1,212)**	**(567)**	**(104)**
Total income tax expense	**(3,424)**	**(4,775)**	**(665)**	**(572)**

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

21. Utilisation of Private Placement Proceeds

The Group had on 25 July 2013 raised a total proceeds of RM6,774,600 from its completed Proposed Private Placement Exercise of 5,553,000 shares at the issue price of RM1.22 per share.

The above Corporate Exercise was completed on 25 July 2013.

The utilisation of the proceeds raised from the above Corporate Exercise is as follows:

Purpose	**Proposed Utilisation**	**Actual Utilisation**	**Deviation Amount**
	RM'000	**RM'000**	**RM'000**
Purchase of raw materials	6,505	6,543	(38)
Private Placement Expenses	270	232	38
Total	**6,775**	**6,775**	

The Group had fully utilised all the proceeds raised from the abovementioned exercise within the stipulated expected time frame of utilisation.

22. Corporate Proposals

There were no corporate proposals in the current quarter under review.

23. 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	20,631	-	20,631
Bankers Acceptance	28,837	-	28,837
Revolving Credit	124,612	-	124,612
Hire Purchase Creditors	1,545	4,877	6,422
Term Loans	7,293	63,073	70,366
	182,918	67,950	250,868

Except for a US Dollar Term Loan with balance outstanding as at 31 December 2013 of US$240,315 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 December 2013:

Type of Borrowings	Foreign Currency **US$'000**	RM Equivalent **RM'000**	Local Currency **RM'000**	Total Borrowings **RM'000**
Bank Overdraft	-	-	20,631	20,631
Bankers Acceptance	-	-	28,837	28,837
Revolving Credit	-	-	124,612	124,612
Hire Purchase	-	-	6,422	6,422
Term Loans	240	769	69,597	70,366
Total	297	769	250,099	250,868

24. Financial Instruments

Fair value hierarchy

As at 31 December 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 31 December 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	**23**	**-**	**23**

Liabilities measured at fair value Borrowings carried at fair value through profit or loss	**-**	**244,446**	**244,446**

At 31 December 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	**25**	**-**	**25**
Liabilities measured at fair value Borrowings carried at fair value through profit or loss	**-**	**236,329**	**236,329**

There were no off balance sheet financial instruments as at 27 February 2014.

25. Material Litigations

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

26. Dividend

No interim dividend has been declared for the quarter ended 31 December 2013 (31 December 2012: Nil).

27. Earnings Per Share

Basic earnings/(loss) per share

The 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 current quarter and current year-to-date respectively as follows:

	Current Year Quarter Ended 31/12/2013	Preceding Year Quarter Ended 31/12/2012	Current Year To-Date 31/12/2013	Preceding Year To-Date 31/12/2012
Profit/(loss) attributable to owners of the parent (RM'000)	316	(7,552)	4,250	(9,530)
Weighted average number of shares – ('000)	61,083	55,530	57,949	55,530
Basic earnings/(loss) per share (sen)	0.52	(13.60)	7.33	(17.16)

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.

No diluted earnings per share is presented for the current financial quarter ended 31 December 2013 as the computation based on the outstanding warrants would have an anti-dilutive effect.

28. 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 February 2014.

29. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.