

**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 2013. 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 2013.

**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 2013 except for mandatory adoption of the following new and revised Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int."), where applicable:

FRS 132	Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
FRS 10, 12 & 127	Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
FRS 136	Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
FRS 139	Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Int. 21	Levies
FRS 119	Amendments to FRS 119: Defined Benefit Plans: Employee Contributions
Improvements	Annual Improvements to FRSs 2010-2012 Cycle
Improvements	Annual Improvements to FRSs 2011-2013 Cycle
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 9	Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139

Adoption of the above will not have any significant effects on the interim financial report upon their initial application except as discussed below:

## **FRS 9 Financial Instruments**

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory date effective to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of FRS 9 will have an effect on classification and measurements of the Group's financial assets, but will not have an impact on classification and measurement of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

## **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 and may in the alternative, apply Financial Reporting Standards (FRS) as its financial reporting framework 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 and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first MFRS financial statements when the MFRS Framework is mandated by the MASB. 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 not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these interim financial statements for the period ended 31 March 2014 could be different if prepared under the MFRS Framework.

### **3. Auditors' Report on Preceding Annual Financial Statements**

The audited financial statements for the year ended 31 December 2013 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 2014.

### **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 2013. 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 2014.

### **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 was as follows:

	<u>Poultry</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
<b>2014</b>				
<b>Revenue</b>	323,067	8,170	(216,785)	114,452
<b>Results</b>				
Segment results	5,434	191	-	5,625
Unallocated costs				(132)
Profit from operations				5,493
Finance income				367
Finance costs				(5,006)
Share of results of associated companies				-
Profit before tax				854

Segment information for the three months ended 31 March 2013 was as follows:

	<u>Poultry</u> RM'000	<u>Property 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

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 14, except for the following:

On 30 April 2014, the Group initiated a group re-organisation exercise as follows:

	Transferors	Transferees	Subject of Transfer	Consideration
1.	Farm's Best Berhad (301653-V)("FBB")	Sinmah Ventures Sdn Bhd (365670-T) ["SVSB"] a wholly owned subsidiary of FBB	Transfer of the entire issued and paid-up capital of Farm's Best (Cambodia) Co. Ltd. ["FBC"] which is a wholly owned subsidiary of FBB	RM15,000
2.	Sinmah Multifeed Sdn Bhd (15710-D), a major subsidiary of FBB	Lynbridge Sdn Bhd (556811-P), a wholly owned subsidiary of FBB	Transfer of the entire issued and paid-up capital of Premier Broilers Sdn Bhd (460283-U) ["PBSB"] which is an indirect major subsidiary of FBB	RM1.00
3.	a) SM Broilers Sdn Bhd (407182-D), an indirect wholly owned subsidiary of FBB b) Sinmah Poultry Farm Sdn Bhd (39657-T), an indirect wholly owned subsidiary of FBB	Lynbridge Sdn Bhd (556811-P) ["LSB"], a wholly owned subsidiary of FBB	Transfer of the entire issued and paid-up capital of Farm's Best Eggmart Sdn Bhd (110957-K) ["FBESB"] which is an indirect wholly owned subsidiary of FBB	RM2.00

The above internal re-organization is to streamline FBB's group of companies. Upon the completion of the above internal re-organization:-

- FBC will become a wholly owned subsidiary of SVSB; and
- PBSB and FBESB will become wholly owned subsidiaries of LSB

The above transactions are not expected to have any material effects on the earnings or net assets of the Company for the financial year ending 31 December 2014.

To the best of the knowledge of the directors, none of the directors or major shareholders or persons connected to the directors or major shareholders of the Company has any interest, direct or indirect, in the aforesaid re-organization.

## 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 RM245.6 million as at 31 March 2014.

## **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 2014 compared to the preceding year’s first quarter ended 31 March 2013 is as shown in Table A below:

Table A

Description	3 months ended 31 Mar 2014 RM'000	3 months ended 31 Mar 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	111,155	103,789	7,366	7
-Property development	3,297	12,629	(9,332)	(74)
	-----	-----		
	114,452	116,418		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	507	511	4	0.8

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 March 2014, the poultry segment recorded an increase in revenue to RM111.16 million as compared with RM103.79 million in the corresponding quarter ended 31 March 2013, an increase of 7%. 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 2014 as compared to corresponding quarter ended 31 March 2013.

The property development segment posted a lower revenue of RM3.30 million in the current quarter ended 31 March 2014 as compared to the revenue of RM12.63 million in the corresponding quarter ended 31 March 2013, a decrease of 74%. This was due to decrease in the number of units of property sold in the current quarter ended 31 March 2014 as compared to corresponding quarter ended 31 March 2013.

The Group posted a profit attributable to owners of the parent of RM0.51 million during the current quarter ended 31 March 2014, which was almost similar to the profit attributable to owners of the parent in the corresponding quarter ended 31 March 2013. The gross profit margin was slightly higher due to the increase in average selling price of live broilers and table eggs coupled with decrease in the average purchase prices of imported raw feedstuffs have decreased during the current quarter ended 31 March 2014 when compared with that of the corresponding quarter ended 31 March 2013. However, this was offset by increase in selling and marketing expenses arising from promotion expenses during the current quarter ended 31 March 2014.

## 15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 31 March 2014 compared to the previous quarter ended 31 December 2013 is as shown in Table B below:

Table B

Description	3 months ended 31 Mar 2014 RM'000	3 months ended 31 Dec 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	111,155	135,248	24,133	18
-Property development	3,297	5,856	(2,559)	(44)
	-----	-----		
	114,452	141,104		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	507	711	(204)	(29)

For the current quarter ended 31 March 2014, the poultry segment posted a lower revenue of RM111.16 million compared to the turnover of RM135.25 million recorded in the previous quarter ended 31 December 2013, a decrease of 18%. The decrease was mainly due to decrease in sales volume of live broilers and table eggs and decrease in average selling price of live broilers and processed poultry products during the current quarter ended 31 March 2014.

The property development segment posted a lower revenue of RM3.30 million in the current quarter ended 31 March 2014 as compared to the revenue of RM5.86 million in the preceding quarter ended 31 December 2013, a decrease of 44%. This was due to decrease in the number of units of property sold and lower recognition of revenue on the percentage of completion basis in the current quarter ended 31 March 2014 as compared to previous quarter ended 31 December 2013.

The Group posted a profit attributable to owners of the parent of RM0.51 million during the current quarter ended 31 March 2014 as compared to a profit attributable to owners of the parent of RM0.71 million during the previous quarter ended 31 December 2013. The gross profit margin dropped mainly due to decrease in average selling prices of live broilers and processed poultry products. However, this was partially offset by lower average purchase price of raw feedstuffs during the current quarter ended 31 March 2014.

Furthermore, during the previous quarter ended 31 December 2013, there were goodwill written off and impairment of receivables.

## 16. Prospects

As at the date of this report, the average purchase prices of imported raw materials remained stable. The current selling prices of poultry products also remained relatively stable. With these, the Group cautiously expects to report a positive set of results in the second quarter of the financial year ending 31 December 2014.

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

The accumulated losses as at 31 March 2014 and 31 March 2013 are analysed as follows:

	As at 31 Mar 2014 RM'000 (Unaudited)	As at 31 Dec 2013 RM'000 (Audited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	53,050	62,689
- Unrealised	9,007	7,846
	62,057	70,535
Total share of accumulated losses of associates		
- Realised	5,401	5,401
	67,458	75,936
Less: Consolidation adjustments	(33,684)	(41,654)
	33,774	34,282

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 2014 RM'000	Preceding Year Quarter ended 31 Mar 2013 RM'000	Current Year to- date 31 Mar 2014 RM'000	Preceding Year to- date 31 Mar 2013 RM'000
Depreciation and amortization	2,547	2,605	2,547	2,605
Foreign exchange loss / (gain)	7	(14)	7	(14)
(Gain) / loss on disposal of properties, plant and equipment	(42)	(43)	(42)	(43)
Impairment of assets	-	-	-	-
Impairment of goodwill	-	-	-	-
Provision for write-off of receivables	-	-	-	-
Provision for write-off of inventories	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
Interest income	(367)	(264)	(367)	(264)
Interest expense	5,006	5,183	5,006	5,183

## 20. Taxation

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

	Quarter ended 31 Mar 2014 RM '000	Year to-date 31 Mar 2014 RM '000	Quarter ended 31 Mar 2013 RM '000	Year to-date 31 Mar 2013 RM '000
Current tax	(385)	(385)	(478)	(478)
Deferred tax	(133)	(133)	(268)	(268)
Total income tax expense	(518)	(518)	(746)	(746)

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 in the current quarter under review 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.

## 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	24,367	-	24,367
Bankers Acceptance	28,235	-	28,235
Revolving Credit	124,102	-	124,102
Hire Purchase Creditors	1,404	4,245	5,649
Term Loans	6,810	61,297	68,107
	<u>184,918</u>	<u>65,542</u>	<u>250,460</u>

Except for a US Dollar Term Loan with balance outstanding as at 31 Mar 2014 of US\$150,315 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	-	-	24,367	24,367
Bankers Acceptance	-	-	28,235	28,235
Revolving Credit	-	-	124,102	124,102
Hire Purchase	-	-	5,649	5,649
Term Loans	150	482	67,625	68,107
Total	<u>150</u>	<u>482</u>	<u>249,978</u>	<u>250,460</u>

## 23. Financial Instruments

### Fair value hierarchy

As at 31 Mar 2014, 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 2014**

	<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	25	-	25

**At 31 March 2013**

	<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	25	-	25

There were no off balance sheet financial instruments as at 28 May 2014.

**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 2014 (31 March 2013: Nil).

**26. 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 31/3/2014	Preceding Year Quarter Ended 31/3/2013	Current Year To-Date 31/3/2014	Preceding Year To-Date 31/3/2013
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	508	511	508	511
<b>Weighted average number of shares - ('000)</b>	61,083	55,530	61,083	55,530
<b>Basic earnings/(loss) per share (sen)</b>	0.83	0.92	0.83	0.92

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.

## 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 28 May 2014.