

**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 30 June 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 30 June 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 30 June 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 six months ended 30 June 2014 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>	648,608	19,585	(444,945)	223,248
<b>Results</b>				
Segment results	9,058	1,647	-	10,705
Unallocated costs				(214)
Profit from operations				10,491
Finance income				712
Finance costs				(9,779)
Share of results of associated companies				-
Profit before tax				1,424

Segment information for the three months ended 30 June 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>	652,593	23,194	(457,609)	218,178
<b>Results</b>				
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

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 14, except for the following:

On 19 August 2014, the Company via its 58.91% owned subsidiary, Joint Farming Sdn Bhd, had entered into a Sale and Purchase Agreement for the disposal of the entire equity interest in Ban Yen Sdn Bhd (“the Disposal”) equivalent to 1,686,400 ordinary shares of RM1.00 each to Choo Yau Thong (NRIC No. 520425-02-5043) for a total consideration of RM1,200,000. Upon completion of the Disposal, it will cease to be an associated company of the FBB Group.

None of the directors or major shareholders or persons connected to them, have any interest, whether direct or indirect, in the Disposal.

The Disposal is not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders’ shareholding of the Company for the financial year ending 31 December 2014.

An announcement was duly made to Bursa Malaysia Securities Berhad on 19 August 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, except for the following:

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

	Transferors	Transferees	Subject of Transfer
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
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
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), 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

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.

An announcement was duly made to Bursa Malaysia Securities Berhad on 30 April 2014.

- (b) On 18 Jun 2014, the Company entered into a Sale and Purchase Agreement for the disposal of the entire interest in LSB equivalent to 100,000 ordinary shares of RM1.00 each to V. Sumathi A/P Veerasami and Mala Vili A/P Palanyasamy for a total consideration of RM2.00 only.

None of the directors or major shareholders or persons connected to them, have any interest, whether direct or indirect, in the Disposal.

The disposal of LSB is not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of the Company for the financial year ending 31 December 2014.

Upon completion of the disposal of LSB, LSB and its wholly owned subsidiary companies, Premier Broilers Sdn Bhd and Farm's Best Eggmart Sdn Bhd and 49.90% owned associated companies, SMNS Rubber Holdings Sdn Bhd and Smallholdings Management Sdn Bhd (collectively referred to as "LSB Group") will cease to be subsidiaries and associates of the FBB Group.

An announcement was duly made to Bursa Malaysia Securities Berhad on 18 June 2014.

## **12. Contingent Liabilities**

The Company provides corporate guarantee to financial institutions for all unsecured credit facilities granted to subsidiaries amounting to RM242.6 million as at 30 June 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 second quarter ended 30 June 2014 compared to the preceding year’s first quarter ended 30 June 2013 is as shown in Table A below:

Table A

Description	3 months ended 30 Jun 2014 RM'000	3 months ended 30 Jun 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	103,546	97,922	5,624	6
-Property development	5,250	3,838	1,412	37
	-----	-----		
	108,796	101,760		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	1,078	1,719	(641)	(37)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 June 2014, the poultry segment recorded a higher revenue of RM103.55 million as compared with RM97.92 million in the corresponding quarter ended 30 June 2013, an increase of 6%. The increase was mainly due to higher volume of live broilers and processed poultry products sold during the current quarter ended 30 June 2014 as compared to corresponding quarter ended 30 June 2013.

The property development segment posted a higher revenue of RM5.25 million in the current quarter ended 30 2014 as compared to the revenue of RM3.84 million in the corresponding quarter ended 30 June 2013, an increase of 37%. This was due to higher recognition of revenue on the percentage completion basis in the current quarter ended 30 June 2014 as compared to corresponding quarter ended 30 June 2013.

However, the Group posted a profit attributable to owners of the parent of RM1.08 million during the current quarter ended 30 June 2014, which was lower than the profit attributable to owners of the parent of RM1.72 million in the corresponding quarter ended 30 June 2013. This was mainly due to a lower average selling price of live broilers and processed poultry products during the current quarter ended 30 June 2014 when compared with that of the corresponding quarter ended 30 June 2013. However, this was partially offset by a higher average selling price of tables eggs during the current quarter ended 30 June 2014.

The Group's performance for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 is as shown in Table B below:

Table B

Description	6 months ended 30 Jun 2014 RM'000	6 months ended 30 Jun 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	214,701	201,711	12,990	6
-Property development	8,547	16,467	(7,920)	(48)
	-----	-----		
	223,248	218,178		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	1,586	2,231	(645)	(13)

For the six months period ended 30 June 2014, the poultry segment recorded a higher revenue of RM214.70 million as compared with RM201.7 million in the corresponding period ended 30 June 2013, an increase of 6%. The higher revenue was mainly due to higher average selling prices of table eggs sold and higher sales volume of table eggs, live broilers and processed poultry products during the six months period ended 30 June 2014 as compared to corresponding period ended 30 June 2013.

The property development segment posted a lower revenue of RM8.55 million in the six months period ended 30 June 2014 as compared to the revenue of RM16.47 million in the corresponding period ended 30 June 2013, a decrease of 48%. This was due to lesser units of properties sold during the six months period ended 30 June 2014 as compared to corresponding period ended 30 June 2013.

However, the Group posted a profit attributable to owners of the parent of RM1.59 million during the six months period ended 30 June 2014 as compared to a profit attributable to owners of the parent of about RM2.23 million during the corresponding period ended 30 June 2013. This was mainly due to the lower average selling price of live broilers and processed poultry products and lesser units of properties sold during the six months period ended 30 June 2014 as compared to corresponding period ended 30 June 2013. This was partially offset by increase in average selling price of table eggs and share of minority interest losses during the six months period ended 30 June 2014.



## 15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 30 June 2014 compared to the previous quarter ended 31 March 2014 is as shown in Table C below:

Table C

Description	3 months ended 30 Jun 2014 RM'000	3 months ended 31 Mar 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	103,546	111,155	(7,609)	(7)
-Property development	5,250	3,297	1,953	59
	-----	-----		
	108,796	114,452		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	1,078	507	571	113

For the current quarter ended 30 June 2014, the poultry segment posted a lower revenue of RM103.55 million compared to the turnover of RM111.16 million recorded in the previous quarter ended 31 March 2014, a decrease of 7%. The decrease was mainly due to decrease in average selling price of live broilers, processed poultry products and table eggs during the current quarter ended 30 June 2014.

The property development segment posted a higher revenue of RM5.25 million in the current quarter ended 30 June 2014 as compared to the revenue of RM3.30 million in the preceding quarter ended 31 March 2014, an increase of 59%. This was due to higher recognition of revenue on the percentage of completion basis in the current quarter ended 30 June 2014 as compared to previous quarter ended 31 March 2014.

However, the Group posted a profit attributable to owners of the parent of RM1.08 million during the current quarter ended 30 June 2014 as compared to a profit attributable to owners of the parent of RM0.51 million during the previous quarter ended 31 March 2014. Despite the decrease in average selling price of live broilers, processed poultry products and table eggs during the current quarter ended 30 June 2014, the Group posted a higher profit attributable to owners of the parent due to increase in profit in the property development division during the current quarter ended 30 June 2014.

## 16. Prospects

As at the date of this report, the average purchase prices of imported raw materials remained stable and are lower than that of the quarter under review. The current selling prices of live broilers and poultry products also remained relatively stable. With these, the Group cautiously expects to report a positive set of results in the coming quarter of the financial year ending 31 December 2014.

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

The accumulated losses as at 30 June 2014 and 31 March 2014 are analysed as follows:

	As at 30 Jun 2014 RM'000 (Unaudited)	As at 31 Mar 2014 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	52,875	53,050
- Unrealised	9,484	9,007
	<u>62,359</u>	<u>62,057</u>
Total share of accumulated losses of associates		
- Realised	5,401	5,401
	<u>67,760</u>	<u>67,458</u>
Less: Consolidation adjustments	(35,064)	(33,684)
	<u>32,696</u>	<u>33,774</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 30 Jun 2014 RM'000	Preceding Year Quarter ended 30 Jun 2013 RM'000	Current Year to- date 30 Jun 2014 RM'000	Preceding Year to- date 30 Jun 2013 RM'000
Depreciation and amortization	2,567	3,175	5,114	5,780
Foreign exchange loss / (gain) (Gain) / loss on disposal of properties, plant and equipment	18	42	25	(56)
Gain on disposal of subsidiary companies	(3)	(65)	(45)	(108)
Impairment loss of investment in associated companies	(28)	-	(28)	-
Impairment of assets	(245)	-	(245)	-
	-	-	-	-

Impairment of goodwill	-	-	-	-
Provision for write-off of receivables	-	-	-	-
Provision for write-off of inventories	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
Interest income	(345)	(394)	(712)	(658)
Interest expense	4,773	5,604	9,779	10,787

## 20. Taxation

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

	Quarter ended 30 Jun 2014 RM '000	Year to-date 30 Jun 2014 RM '000	Quarter ended 30 Jun 2013 RM '000	Year to-date 30 June 2013 RM '000
Current tax	(61)	(446)	(259)	(737)
Deferred tax	(485)	(618)	50	(218)
Total tax expense	(546)	(1,064)	(209)	(955)

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:

Further to the announcement made on 20 January 2014, the Company had on 12 June 2014, entered into a conditional Sale and Purchase agreement with Zhu Zongying, Zheng Wendi, Xu Maolei, HH Food Holding Limited and Lerfood for the following proposals:

- Proposed Par value Reduction;
- Proposed Acquisition;
- Proposed Securities Exchange;
- Proposed Offer for Sale;
- Proposed Special Issue;
- Proposed Amendments; and
- Proposed Transfer of Listing Status

An announcement was duly made to Bursa Malaysia Securities Berhad on 12 June 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:-

	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Total RM'000</b>
Bank Overdraft	24,209	-	24,209
Bankers Acceptance	26,698	-	26,698
Revolving Credit	123,887	-	123,887
Hire Purchase Creditors	1,514	4,395	5,909
Term Loans	6,662	59,436	66,098
	<hr/>	<hr/>	<hr/>
	182,970	63,831	246,801

Except for a US Dollar Term Loan with balance outstanding as at 30 Jun 2014 of US\$120,315 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 30 Jun 2014:

Type of Borrowings	Foreign Currency US\$'000	RM Equivalent RM'000	Local Currency RM'000	Total Borrowings RM'000
Bank Overdraft	-	-	24,209	24,209
Bankers Acceptance	-	-	26,698	26,698
Revolving Credit	-	-	123,887	123,887
Hire Purchase	-	-	5,909	5,909
Term Loans	120	389	65,709	66,098
	<hr/>	<hr/>	<hr/>	<hr/>
Total	120	389	246,412	246,801

## 23. Financial Instruments

### Fair value hierarchy

As at 30 Jun 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 30 June 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	<b>25</b>	-	<b>25</b>

**At 30 June 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	<b>25</b>	-	<b>25</b>

There were no off balance sheet financial instruments as at 27 August 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 30 June 2014 (30 June 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 30/6/2014	Preceding Year Quarter Ended 30/6/2013	Current Year To-Date 30/6/2014	Preceding Year To-Date 30/6/2013
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	1,078	1,719	1,586	2,231
<b>Weighted average number of shares - ('000)</b>	61,083	55,530	61,083	55,530
<b>Basic earnings/(loss) per share (sen)</b>	1.76	3.10	2.60	4.02

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 27 August 2014.