

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 FRS 136	Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities 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 September 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 September 2014.

6. Changes in Estimates

There were no changes in estimates that had any material effect to the financial statements in the quarter under review.

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 September 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 nine months ended 30 September 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
<u>2014</u>				
Revenue	959,765	23,919	(659,334)	324,350
Results				
Segment results	15,781	2,160	-	17,941
Unallocated costs				(539)
Profit from operations				17,402
Finance income				1,070
Finance costs				(14,857)
Share of results of associated companies				-
Profit before tax				3,615

Segment information for the nine months ended 30 September 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
<u>2013</u>				
Revenue	977,753	35,435	(683,865)	329,323
Results				
Segment results	20,171	2,024	-	22,195
Unallocated costs				(2,270)
Profit from operations				19,925
Finance income				986
Finance costs				(15,568)
Share of results of associated companies				66
Profit before tax				5,409

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 September 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:

On 19 August 2014, the Company via its 58.91% indirectly-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 Cho Yau Thong 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.

On 27 August 2014, the Company had entered into a Sale and Purchase Agreement for the disposal of the entire equity interest in Sinmah Ventures Sdn Bhd (“SVSB”) (“the Second Disposal”) equivalent to 2 ordinary shares of RM1.00 to Iklim Cahaya Sdn Bhd of Kompleks Niaga Melaka Perdana, jalan KNMP 3, Bukit Katil, 75450 Melaka, for a total consideration of RM100,000. Upon completion of the Disposal, SVSB and its subsidiaries, FBF Food (Nanjing) Pte Ltd, Chix Unlimited Inc. and Farm’s Best (Cambodia) Co. Ltd and its associated company, SM Enterprise (Nanjing) Pte Ltd (“SVSB Group”) will cease to be subsidiaries and associated company of the Company.

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

The Second 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.

Announcements were duly made to Bursa Malaysia Securities Berhad on 28 August 2014.

12. Contingent Liabilities

The Company provides corporate guarantee to financial institutions for all unsecured credit facilities granted to subsidiaries amounting to RM240.5 million as at 30 September 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 third quarter ended 30 September 2014 compared to the preceding year’s third quarter ended 30 September 2013 is as shown in Table A below:

Table A

Description	3 months ended 30 Sep 2014 RM'000	3 months ended 30 Sep 2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	93,260	103,606	(10,346)	(10)
-Property development	7,842	7,539	303	4
	-----	-----		
	101,102	111,145		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	462	1,704	(1,242)	(73)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 September 2014, the poultry segment recorded a lower revenue of RM93.26 million as compared with RM103.61 million in the corresponding quarter ended 30 September 2013, a decrease of 10%. The decrease was mainly due to decrease in sales volume of live broilers, processed poultry products and table eggs sold during the current quarter ended 30 September 2014 as compared to corresponding quarter ended 30 September 2013.

The property development segment posted a slightly higher revenue of RM7.84 million in the current quarter ended 30 September 2014 as compared to the revenue of RM7.54 million in the corresponding quarter ended 30 September 2013, an increase of 4%. This was due to higher increment in percentage of completion of development property in the current quarter ended 30 September 2014 as compared to corresponding quarter ended 30 September 2013.

The Group posted a profit attributable to owners of the parent of RM0.46 million during the current quarter ended 30 September 2014, which was lower than the profit attributable to owners of the parent of RM1.70 million in the corresponding quarter ended 30 September 2013. This was mainly due to decrease in sales volume of live broilers, processed poultry products and table eggs and lesser units of development property sold during the current quarter ended 30 September 2014 when compared with that of the corresponding quarter ended 30 September 2013.

However, this was partially offset by a higher average selling price of processed poultry products and table eggs during the current quarter ended 30 September 2014.

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

Table B

Description	9 months ended 30 Sep 2014 RM'000	9 months ended 30 Sep 2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	307,961	305,318	2,643	1
-Property development	16,389	24,005	(7,616)	(32)
	-----	-----		
	324,350	329,323		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	2,049	3,934	(1,885)	(48)

For the nine months period ended 30 September 2014, the poultry segment recorded a higher revenue of RM307.96 million as compared with RM305.32 million in the corresponding period ended 30 September 2013, an increase of 1%. The higher revenue was mainly due to higher volume of processed poultry products during the nine months period ended 30 September 2014 as compared to corresponding period ended 30 September 2013.

The property development segment posted a lower revenue of RM16.39 million in the nine months period ended 30 September 2014 as compared to the revenue of RM24.01 million in the corresponding period ended 30 September 2013, a decrease of 32%. This was due to lesser units of properties sold during the nine months period ended 30 September 2014 as compared to corresponding period ended 30 September 2013.

The Group posted a profit attributable to owners of the parent of RM2.09 million during the nine months period ended 30 September 2014 as compared to a profit attributable to owners of the parent of about RM3.93 million during the corresponding period ended 30 September 2013. This was mainly due to the lower average selling price of live broilers and lesser units of properties sold during the nine months period ended 30 September 2014 as compared to corresponding period ended 30 September 2013.

15. Comparison to Preceding Quarter's Results

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

Table C

Description	3 months ended 30 Sep 2014 RM'000	3 months ended 30 Jun 2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	93,260	103,546	(10,286)	(10)
-Property development	7,842	5,250	2,592	49
	-----	-----		
	101,102	108,796		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	462	1,078	616	57

For the current quarter ended 30 September 2014, the poultry segment posted a lower revenue of RM93.26 million compared to the turnover of RM103.55 million recorded in the previous quarter ended 30 June 2014, a decrease of 10%. The decrease was mainly due to decrease in sales volume of live broilers, processed poultry products and table eggs during the current quarter ended 30 September 2014.

The property development segment posted a higher revenue of RM7.84 million in the current quarter ended 30 September 2014 as compared to the revenue of RM5.25 million in the preceding quarter ended 30 June 2014, an increase of 49%. This was due to an increase in units of development property sold in the current quarter ended 30 September 2014 as compared to the previous quarter ended 30 June 2014.

The Group posted a profit attributable to owners of the parent of RM0.46 million during the current quarter ended 30 September 2014 as compared to a profit attributable to owners of the parent of RM1.08 million during the previous quarter ended 30 June 2014. The lower profit reported during the current quarter ended 30 September 2014 was mainly due to decrease in sales volume of live broilers, processed poultry products and table eggs and lesser increment in percentage of completion of development property during the current quarter ended 30 September 2014 as compared to the previous quarter ended 30 June 2014.

16. Prospects

As at the date of this report, the average import prices of raw materials remain stable in US Dollar terms. However, with the current weak market sentiments over live broiler demand coupled with the weakening of our local currency against the US Dollar, the Group expects a challenging time in the final quarter of the financial year ending 31 December 2014.

17. Disclosure of Realised and Unrealised Profits or Losses

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

	As at 30 Sep 2014 RM'000 (Unaudited)	As at 30 Jun 2014 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	53,652	52,875
- Unrealised	9,078	9,484
	<u>62,730</u>	<u>62,359</u>
Total share of accumulated losses of associates		
- Realised	5,401	5,401
	<u>68,131</u>	<u>67,760</u>
Less: Consolidation adjustments	(35,898)	(35,064)
	<u>32,233</u>	<u>32,696</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 Sep 2014 RM'000	Preceding Year Quarter ended 30 Sep 2013 RM'000	Current Year to- date 30 Sep 2014 RM'000	Preceding Year to- date 30 Sep 2013 RM'000
Depreciation and amortization	2,023	2,817	7,137	8,597
Foreign exchange loss / (gain)	5	84	30	28
(Gain) / loss on disposal of properties, plant and equipment	(54)	(40)	(99)	(148)
Gain on disposal of subsidiary companies	(73)	-	(101)	-

Gain on disposal of associated company	1,200	-	1,200	-
Impairment loss of investment in associated companies	-	-	(245)	-
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	(358)	(328)	(1,070)	(986)
Interest expense	5,078	4,780	14,857	15,568

20. Taxation

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

	Quarter ended 30 Sep 2014 RM '000	Year to-date 30 Sep 2014 RM '000	Quarter ended 30 Sep 2013 RM '000	Year to-date 30 Sep 2013 RM '000
Current tax	(870)	(1,316)	(396)	(1,133)
Deferred tax	(389)	(1,007)	-	(218)
Total tax expense	<u>(1,259)</u>	<u>(2,323)</u>	<u>(396)</u>	<u>(1,351)</u>

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 12 June 2014, the Company had on 29 August 2014, entered into a supplemental sale and purchase agreement to amend certain terms of the conditional sale and purchase agreement dated 12 June 2014.

An announcement was duly made to Bursa Malaysia Securities Berhad on 29 August 2014.

Subsequently, on 22 September 2014, the Company through M & A Securities, had made an announcement to Bursa Malaysia Securities that the application to the Securities Commission for the Proposals has been submitted on even date.

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	21,696	-	21,696
Bankers Acceptance	26,429	-	26,429
Revolving Credit	123,068	-	123,068
Hire Purchase Creditors	1,483	4,000	5,483
Term Loans	7,438	59,689	67,127
	<hr/>	<hr/>	<hr/>
	180,114	63,689	243,803

Except for a US Dollar Term Loan with balance outstanding as at 30 Sep 2014 of US\$69,564 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 Sep 2014:

Type of Borrowings	Foreign Currency US\$'000	RM Equivalent RM'000	Local Currency RM'000	Total Borrowings RM'000
Bank Overdraft	-	-	21,696	21,696
Bankers Acceptance	-	-	26,429	26,429
Revolving Credit	-	-	123,068	123,068
Hire Purchase	-	-	5,483	5,483
Term Loans	69	224	66,903	67,127
	<hr/>	<hr/>	<hr/>	<hr/>
Total	69	224	243,579	243,803

23. Financial Instruments

Fair value hierarchy

As at 30 Sep 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 September 2014

	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

At 30 September 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	25	-	25

There were no off balance sheet financial instruments as at 25 November 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 September 2014 (30 September 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 30/9/2014	Preceding Year Quarter Ended 30/9/2013	Current Year To-Date 30/9/2014	Preceding Year To-Date 30/9/2013
Profit/(loss) attributable to owners of the parent (RM'000)	462	1,704	2,049	3,934
Weighted average number of shares - ('000)	61,083	59,274	61,083	56,893
Basic earnings/(loss) per share (sen)	0.76	2.87	3.35	6.91

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 25 November 2014.