

**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 December 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 December 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 31 December 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 twelve months ended 31 December 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>	1,246,027	42,905	(870,575)	418,357
<b>Results</b>				
Segment results	20,990	2,958	-	23,948
Unallocated costs				852
Profit from operations				24,800
Finance income				1,389
Finance costs				(20,000)
Share of results of associated companies				-
Profit before tax				6,189

Segment information for the twelve months ended 31 December 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>	1,353,111	41,916	(939,646)	455,381
<b>Results</b>				
Segment results	31,441	1,726	-	33,167
Unallocated costs				(1,155)
Profit from operations				32,012
Finance income				1,337
Finance costs				(20,982)
Share of results of associated companies				(1,011)
Profit before tax				11,356

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 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 RM250.4 million as at 31 December 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 fourth quarter ended 31 December 2014 compared to the preceding year’s fourth quarter ended 31 December 2013 is as shown in Table A below:

Table A

Description	3 months ended 31 Dec 2014 RM'000	3 months ended 31 Dec 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	87,075	135,248	(48,173)	(36)
-Property development	6,932	5,856	1,076	18
	-----	-----		
	94,007	141,104		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	198	316	(118)	(37)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 December 2014, the poultry segment recorded a lower revenue of RM87.08 million as compared with RM135.25 million in the corresponding quarter ended 31 December 2013, a decrease of 36%. The decrease was mainly due to decrease in sales volume of live broilers, and table eggs sold during the current quarter ended 31 December 2014 as compared to corresponding quarter ended 31 December 2013. Furthermore, there was also decrease in average selling prices of live broilers and processed poultry products during the current quarter ended 31 December 2014 as compared to corresponding quarter ended 31 December 2013.

The property development segment posted a slightly higher revenue of RM6.93 million in the current quarter ended 31 December 2014 as compared to the revenue of RM5.86 million in the corresponding quarter ended 31 December 2013, an increase of 18%. This was due to higher increment in percentage of completion of development property in the current quarter ended 31 December 2014 as compared to corresponding quarter ended 31 December 2013.

As a result of the lower revenue of the poultry segment, the Group posted a lower profit attributable to owners of the parent of RM0.20 million during the current quarter ended 31 December 2014, as compared to RM0.32 million in the corresponding quarter ended 31 December 2013. The decrease in profit was mainly due to decrease in average selling price of live broilers and processed poultry products.

However, this was partially offset by a lower average purchase price of imported raw feedstuff during the current quarter ended 31 December 2014 as compared to the corresponding quarter ended 31 December 2013.

The Group's performance for the twelve months ended 31 December 2014 as compared to the twelve months ended 31 December 2013 is as shown in Table B below:

Table B

Description	12 months ended 31 Dec 2014 RM'000	12 months ended 31 Dec 2013 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	395,036	428,922	(33,886)	(8)
-Property development	23,321	26,459	(3,138)	(12)
	-----	-----		
	418,357	455,381		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	2,247	4,330	(2,083)	(48)

For the year ended 31 December 2014, the poultry segment recorded a lower revenue of RM395.04 million as compared with RM428.92 million in the corresponding year ended 31 December 2013, a decrease of 8%. The lower revenue was mainly due to lower volume of live broilers and table eggs sold coupled with lower average selling prices of live broilers and processed poultry products during the year ended 31 December 2014 as compared to corresponding year ended 31 December 2013.

The property development segment posted a lower revenue of RM23.32 million in the year ended 31 December 2014 as compared to the revenue of RM26.46 million in the corresponding year ended 31 December 2013, a decrease of 12%. This was due to lesser units of properties sold during the year ended 31 December 2014 as compared to corresponding year ended 31 December 2013.

The Group posted a profit attributable to owners of the parent of RM2.25 million during the year ended 31 December 2014 as compared to a profit attributable to owners of the parent of about RM4.33 million during the corresponding year ended 31 December 2013. This was mainly due to the lower average selling price of live broilers and processed poultry products during the year ended 31 December 2014 as compared to corresponding year ended 31 December 2013.

## 15. Comparison to Preceding Quarter's Results

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

Table C

Description	3 months ended 31 Dec 2014 RM'000	3 months ended 30 Sep 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	87,075	93,260	(6,185)	(7)
-Property development	6,932	7,842	(910)	(12)
	-----	-----		
	94,007	101,102		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	198	462	(264)	(57)

For the current quarter ended 31 December 2014, the poultry segment posted a lower revenue of RM87.08 million compared to the turnover of RM93.26 million recorded in the previous quarter ended 30 September 2014, a decrease of 7%. The decrease was mainly due to decrease in sales volume of live broilers and table eggs during the current quarter ended 31 December 2014.

The property development segment posted a lower revenue of RM6.93 million in the current quarter ended 31 December 2014 as compared to the revenue of RM7.84 million in the preceding quarter ended 30 September 2014, a decrease of 12%. This was due lesser increment in percentage of completion of development property in the current quarter ended 31 December 2014 as compared to the previous quarter ended 30 September 2014.

The Group posted a profit attributable to owners of the parent of RM0.20 million during the current quarter ended 31 December 2014 as compared to a profit attributable to owners of the parent of RM0.46 million during the previous quarter ended 30 September 2014, a decrease of 57%. The lower profit reported during the current quarter ended 31 December 2014 was mainly due to decrease in average selling price of live broilers and lesser increment in percentage of completion of development property during the current quarter ended 31 December 2014 as compared to the previous quarter ended 30 September 2014.

## 16. Prospects

As at the date of this report, the average import prices of raw materials are higher than the current quarter under review. Coupled with the weakening of our local currency against the US Dollar, the Group expects a challenging first quarter of the financial year ending 31 December 2015.



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

The accumulated losses as at 31 December 2014 and 30 September 2014 are analysed as follows:

	As at 31 Dec 2014 RM'000 (Unaudited)	As at 30 Sep 2014 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	51,628	53,652
- Unrealised	11,330	9,078
	<u>62,958</u>	<u>62,730</u>
Total share of accumulated losses of associates		
- Realised	5,401	5,401
	<u>68,359</u>	<u>68,131</u>
Less: Consolidation adjustments	(36,251)	(35,898)
	<u>32,108</u>	<u>32,233</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 31 Dec 2014 RM'000	Preceding Year Quarter ended 31 Dec 2013 RM'000	Current Year to- date 31 Dec 2014 RM'000	Preceding Year to- date 31 Dec 2013 RM'000
Depreciation and amortization	3,248	3,574	10,385	9,396
Foreign exchange loss / (gain)	48	26	78	6
(Gain) / loss on disposal of properties, plant and equipment	(10)	(52)	(109)	(206)
(Gain)/loss on disposal of subsidiary companies	73	-	(29)	-
Gain on disposal of associated company	-	-	1,200	-

Impairment loss of investment in associated companies	-	-	(245)	-
Property, plant and equipment written-off	-	-	-	96
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	(319)	(349)	(1,389)	(1,337)
Interest expense	5,144	5,216	20,000	20,982

## 20. Taxation

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

	Quarter ended 31 Dec 2014 RM '000	Year to-date 31 Dec 2014 RM '000	Quarter ended 31 Dec 2013 RM '000	Year to-date 31 Dec 2013 RM '000
Current tax	(773)	(2,089)	(2,430)	(3,127)
Deferred tax	(1,460)	(2,467)	(994)	(3,925)
Total tax expense	(2,233)	(4,556)	(3,424)	(7,052)

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 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, comprising Proposed Par Value Reduction, Proposed Acquisition, Proposed Securities Exchange, Proposed Offer for Sale, Proposed Special Issue, Proposed Amendments and proposed Transfer of Listing Status, has been submitted on even date.

On 26 and 27 November 2014, the Company had made an announcement to Bursa Malaysia Securities of its corporate exercise of reduction of capital in Joint Farming Sdn Bhd, a 58.91% owned indirect subsidiary of the Company, held via Sinmah Livestocks Sdn Bhd.

On 11 December 2014, the Company through M & A Securities, had made an announcement to Bursa Malaysia Securities that the conditional period under the SPA has been extended to twelve (12) months from the date of the SPA, until 11 June 2015.

## 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</b>	<b>Long term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank Overdraft	20,409	-	20,409
Bankers Acceptance	38,244	-	38,244
Revolving Credit	123,046	-	123,046
Hire Purchase Creditors	1,654	3,507	5,161
Term Loans	7,328	58,638	65,966
	<u>190,681</u>	<u>62,145</u>	<u>252,826</u>

Except for a US Dollar Term Loan with balance outstanding as at 31 Dec 2014 of US\$28,700 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 Dec 2014:

Type of Borrowings	Foreign Currency <b>US\$'000</b>	RM Equivalent <b>RM'000</b>	Local Currency <b>RM'000</b>	Total Borrowings <b>RM'000</b>
Bank Overdraft	-	-	20,409	20,409
Bankers Acceptance	-	-	38,244	38,244
Revolving Credit	-	-	123,046	123,046
Hire Purchase	-	-	5,161	5,161
Term Loans	29	102	65,864	65,966
	<u>29</u>	<u>102</u>	<u>252,724</u>	<u>252,826</u>
Total	29	102	252,724	252,826

## 23. Financial Instruments

### Fair value hierarchy

As at 31 Dec 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 December 2014

	Level 1	Level 2	Total
	RM '000	RM '000	RM '000
<b>Assets measured at fair value</b> Quoted investments at fair value through profit or loss	-	-	-

#### At 31 December 2013

	Level 1	Level 2	Total
	RM '000	RM '000	RM '000
<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 25 February 2015.

## 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 December 2014 (31 December 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 31/12/2014	Preceding Year Quarter Ended 31/12/2013	Current Year To-Date 31/12/2014	Preceding Year To-Date 31/12/2013
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	198	316	2,247	4,330
<b>Weighted average number of shares - ('000)</b>	61,083	61,083	61,083	57,949
<b>Basic earnings/(loss) per share (sen)</b>	0.32	0.52	3.68	7.47

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 February 2015.