

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 2014. 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 2014.

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 2014 except for mandatory adoption of the following new and revised Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int."), where applicable:

		Effective dates for financial periods beginning on or after
FRS 119	Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 Jul 2014
Improvements	Annual Improvements to FRSs 2010-2012 Cycle	1 Jul 2014
Improvements	Annual Improvements to FRSs 2011-2013 Cycle	1 Jul 2014
FRS 14	Regulatory Deferral Accounts	1 Jan 2016
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
Amendments to FRS 127	Equity Method in Separate Financial Statements	1 Jan 2016
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	1 Jan 2016
	Annual Improvements to FRSs 2012 -2104 Cycle	1 Jan 2016

Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception	1 Jan 2016
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 Jan 2018

Adoption of the above will not have any significant effects on the interim financial report upon their initial application.

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 2015 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 2014 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 2015.

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 March 2015.

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 2015 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>2015</u>				
Revenue	278,053	11,593	(199,540)	90,106
Results				
Segment results	(990)	934	-	(56)
Unallocated costs				139
Profit from operations				83
Finance income				413
Finance costs				(4,066)
Share of results of associated companies				-
Loss before tax				(3,570)

Segment information for the three months ended 31 March 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
2014				
Revenue	323,067	8,170	(216,785)	114,452
Results				
Segment results	5,434	191	-	5,625
Unallocated costs				(132)
Profit from operations				5,493
Finance income				367
Finance costs				(5006)
Share of results of associated companies				-
Profit before tax				854

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 2015.

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 RM249.5 million as at 31 March 2015.

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 2015 compared to the preceding year’s first quarter ended 31 March 2014 is as shown in Table A below:

Table A

Description	3 months ended 31 Mar 2015 RM'000	3 months ended 31 Mar 2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	83,678	111,155	(27,477)	(25)
-Property development	6,428	3,297	3,131	95
	-----	-----		
	90,106	114,452		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	(4,382)	507	(4,889)	(37)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 March 2015, the poultry segment recorded a lower revenue of RM83.68 million as compared with RM111.16 million in the corresponding quarter ended 31 March 2014, a decrease of 25%. The decrease was mainly due to decrease in sales volume of live broilers and table eggs sold during the current quarter ended 31 March 2015 as compared to corresponding quarter ended 31 March 2014. Furthermore, there was also decrease in average selling prices of live broilers during the current quarter ended 31 March 2015 as compared to corresponding quarter ended 31 March 2014.

The property development segment posted a higher revenue of RM6.43 million in the current quarter ended 31 March 2015 as compared to the revenue of RM3.30 million in the corresponding quarter ended 31 March 2014, an increase of 95%. This was due to higher increment in percentage of completion of development property in the current quarter ended 31 March 2015 as compared to corresponding quarter ended 31 March 2014.

As a result of the lower revenue of the poultry segment, the Group posted a loss attributable to owners of the parent of RM4.38 million during the current quarter ended 31 March 2015, as opposed to a profit attributable of RM0.51 million in the corresponding quarter ended 31 March 2014. The decrease in profit was mainly due to decrease in average selling price of live broilers coupled with an increase in average

purchase price of imported raw feedstuff during the quarter under review.

15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 31 March 2015 compared to the previous quarter ended 31 December 2014 is as shown in Table B below:

Table B

Description	3 months ended 31 Mar 2015 RM'000	3 months ended 31 Dec 2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	83,678	87,075	(3,397)	(4)
-Property development	6,428	6,932	(504)	(7)
	-----	-----		
	90,106	94,007		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	(4,382)	198	(4,580)	-

For the current quarter ended 31 March 2015, the poultry segment posted a lower revenue of RM83.68 million compared to the turnover of RM87.08 million recorded in the previous quarter ended 31 December 2014, a decrease of 4%. The decrease was mainly due to decrease in sales volume of table eggs and decrease in average selling price of processed poultry products during the current quarter ended 31 March 2015. This was partially offset by increase in sales volume and average selling price of live broilers during the current quarter ended 31 March 2015.

The property development segment posted a lower revenue of RM6.43 million in the current quarter ended 31 March 2015 as compared to the revenue of RM6.93 million in the preceding quarter ended 31 December 2014, a decrease of 7%. This was due to the lesser increment in percentage of completion of development property in the current quarter ended 31 March 2015 as compared to the previous quarter ended 31 December 2014.

The Group posted a loss attributable to owners of the parent of RM4.38 million during the current quarter ended 31 March 2015 as opposed to a profit attributable to owners of the parent of RM0.20 million during the previous quarter ended 31 December 2014. This is due to our inability to increase the average selling price of processed poultry products to mitigate their increase in their cost of production resulting from increase in average purchase prices of imported raw feedstuffs during the quarter under review, brought about by a weakening Ringgit.

16. Prospects

As at the date of this report, the average selling prices of most of our products are higher than the average for the quarter under review. Hence, the Group is cautiously optimistic of a better set of results for the second quarter of the financial year ending 31 December

2015.

17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 31 March 2015 and 31 December 2014 are analysed as follows:

	As at 31 Mar 2015 RM'000 (Unaudited)	As at 31 Dec 2014 RM'000 (Audited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	60,549	56,379
- Unrealised	9,731	9,766
	70,280	66,145
Total share of accumulated losses of associates		
- Realised	-	-
	70,280	66,145
Less: Consolidation adjustments	(33,846)	(34,093)
	36,434	32,052

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 2015 RM'000	Preceding Year Quarter ended 31 Mar 2014 RM'000	Current Year to- date 31 Mar 2015 RM'000	Preceding Year to- date 31 Mar 2014 RM'000
Depreciation and amortization	2,338	2,547	2,338	2,547
Foreign exchange loss / (gain)	38	7	38	7
(Gain) / loss on disposal of properties, plant and equipment	(44)	(42)	(44)	(42)
(Gain)/loss on disposal of subsidiary companies	-	-	-	-

Gain on disposal of associated company	-	-	-	-
Impairment loss of investment in associated companies	-	-	-	-
Property, plant and equipment written-off	-	-	-	-
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	(413)	(367)	(413)	(367)
Interest expense	4,066	5,006	4,066	5,006

20. Taxation

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

	Quarter ended 31 Mar 2015 RM '000	Year to-date 31 Mar 2015 RM '000	Quarter ended 31 Mar 2014 RM '000	Year to-date 31 Mar 2014 RM '000
Current tax	(630)	(630)	(385)	(385)
Deferred tax	35	35	(133)	(133)
Total tax expense	(595)	(595)	(518)	(518)

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.

22. Group Borrowings

Group borrowings and debt securities as at the end of the reporting period:

- 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	18,041	-	18,041
Bankers Acceptance	39,474	-	39,474
Revolving Credit	123,054	-	123,054
Hire Purchase Creditors	1,340	4,149	5,489
Term Loans	7,964	57,044	65,008
	189,873	61,193	251,066

23. Financial Instruments

Fair value hierarchy

As at 31 Mar 2015, 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 2015

	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	-	-	-

At 31 March 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

There were no off balance sheet financial instruments as at 27 June 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 March 2015 (31 March 2014: 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 31/3/2015	Preceding Year Quarter Ended 31/3/2014	Current Year To-Date 31/3/2015	Preceding Year To-Date 31/3/2014
Profit/(loss) attributable to owners of the parent (RM'000)	(4,382)	507	(4,382)	507
Weighted average number of shares - ('000)	61,083	61,083	61,083	61,083
Basic earnings/(loss) per share (sen)	(7.17)	0.83	(7.17)	0.83

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 May 2015.