

**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
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 except as discussed below:

### **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 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 30 June 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 30 June 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 six months ended 30 June 2015 was as follows:

	<u>Poultry</u>	<u>Property</u>	<u>Eliminations</u>	<u>Group</u>
	<u>RM'000</u>	<u>development</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>RM'000</u>	<u>RM'000</u>	
<b>2015</b>				
<b>Revenue</b>	544,195	19,421	(386,636)	176,980
<b>Results</b>				
Segment results	21	1,330	-	1,351
Unallocated costs				(68)
Profit from operations				1,283
Finance income				784
Finance costs				(9,130)
Share of results of associated companies				-
Loss before tax				(7,063)

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><u>2014</u></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

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 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 RM248.33 million as at 30 June 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 second quarter ended 30 June 2015 compared to the preceding year’s second quarter ended 30 June 2014 is as shown in Table A below:

Table A

Description	3 months ended 30 Jun 2015 RM'000	3 months ended 30 Jun 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	82,150	103,546	(21,396)	(21)
-Property development	4,724	5,250	(526)	(10)
	-----	-----		
	86,874	108,796		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(3,821)	1,078	(4,899)	(454)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 June 2015, the poultry segment recorded a lower revenue of RM82.15 million as compared with RM103.55 million in the corresponding quarter ended 30 June 2014, a decrease of 21%. The decrease was mainly due to lower volume of live broilers and table eggs sold during the current quarter ended 30 June 2015 as compared to corresponding quarter ended 30 June 2014.

The property development segment posted a lower revenue of RM4.72 million in the current quarter ended 30 June 2015 as compared to the revenue of RM5.25 million in the corresponding quarter ended 30 June 2014, a decrease of 10%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 30 June 2015 as compared to corresponding quarter ended 30 June 2014.

Hence, the Group posted a loss attributable to owners of the parent of RM3.82 million during the current quarter ended 30 June 2015 as opposed to profit attributable to owners of the parent of RM1.08 million in the corresponding quarter ended 30 June 2014. This was mainly due to a lower average selling prices of live broilers and processed poultry products, coupled by lower volume of live broilers sold during the current quarter ended 30 June 2015 when compared with that of the corresponding quarter ended 30 June 2014. Furthermore, there was a loss on disposal of part of the layer division’s property, plant and equipment of RM1.51 million during the quarter ended 30 June 2015.

The Group's performance for the six months ended 30 June 2015 as compared to the six months ended 30 June 2014 is as shown in Table B below:

Table B

Description	6 months ended 30 Jun 2015 RM'000	6 months ended 30 Jun 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	165,828	214,701	(48,873)	(23)
-Property development	11,152	8,547	2,605	30
	-----	-----		
	176,980	223,248		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(8,203)	1,586	(9,789)	(617)

For the six months period ended 30 June 2015, the poultry segment recorded a lower revenue of RM165.83 million as compared with RM214.7 million in the corresponding period ended 30 June 2014, a decrease of 23%. The lower revenue was mainly due to lower average selling prices of live broilers and lower sales volume of live broilers and table eggs during the six months period ended 30 June 2015 as compared to corresponding period ended 30 June 2014.

The property development segment posted a higher revenue of RM11.15 million in the six months period ended 30 June 2015 as compared to the revenue of RM8.55 million in the corresponding period ended 30 June 2014, an increase of 30%. This was due to more units of properties sold during the six months period ended 30 June 2015 as compared to corresponding period ended 30 June 2014.

The Group posted a loss attributable to owners of the parent of RM8.20 million during the six months period ended 30 June 2015 as opposed to a profit attributable to owners of the parent of about RM1.59 million during the corresponding period ended 30 June 2014. This was mainly due to the lower average selling price and lower sales volume of live broilers sold during the six months period ended 30 June 2015 as compared to corresponding period ended 30 June 2014. Furthermore, there was a loss on disposal of part of the layer division's property, plant and equipment of RM1.51 million during the six months period ended 30 June 2015.

## 15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 30 June 2015 compared to the previous quarter ended 31 March 2015 is as shown in Table C below:

Table C

Description	3 months ended 30 Jun 2015 RM'000	3 months ended 31 Mar 2015 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	82,150	83,678	(1,528)	(2)
-Property development	4,724	6,428	(1,704)	(27)
	-----	-----		
	86,874	90,106		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(3,821)	(4,382)	561	13

For the current quarter ended 30 June 2015, the poultry segment posted a lower revenue of RM82.15 million compared to the turnover of RM83.68 million recorded in the previous quarter ended 31 March 2015, a decrease of 2%. The decrease was mainly due to decrease in sales volume of live broilers and table eggs during the current quarter ended 30 June 2015. This is partially offset by increase in average selling price of live broilers and increase in sales volume of processed poultry products.

The property development segment posted a lower revenue of RM4.72 million in the current quarter ended 30 June 2015 as compared to the revenue of RM6.43 million in the preceding quarter ended 31 March 2015, a decrease of 27%. This was due to lesser units of properties sold in the current quarter ended 30 June 2015 as compared to previous quarter ended 31 March 2015.

However, the Group posted a lower loss attributable to owners of the parent of RM3.82 million during the current quarter ended 30 June 2015 as compared to a loss attributable to owners of the parent of RM4.38 million during the previous quarter ended 31 March 2015. This was mainly due to the improved profitability in sales of processed poultry products.

## 16. Prospect

As at the date of this report, the average purchase prices of imported raw materials remained stable. However, it may increase due to the weakening of Malaysia Ringgit. 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 2015.

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

The accumulated losses as at 30 June 2015 and 31 March 2015 are analysed as follows:

	As at 30 Jun 2015 RM'000 (Unaudited)	As at 31 Mar 2015 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	58,831	60,549
- Unrealised	9,760	9,731
	<u>68,591</u>	<u>70,280</u>
Total share of accumulated losses of associates		
- Realised	-	-
	<u>68,591</u>	<u>70,280</u>
Less: Consolidation adjustments	(28,338)	(33,846)
	<u>40,253</u>	<u>36,434</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 2015 RM'000	Preceding Year Quarter ended 30 Jun 2014 RM'000	Current Year to- date 30 Jun 2015 RM'000	Preceding Year to- date 30 Jun 2014 RM'000
Depreciation and amortization	2,666	2,567	5,004	5,114
Foreign exchange loss / (gain) (Gain) / loss on disposal of properties, plant and equipment	61	18	99	25
Gain on disposal of subsidiary companies	1,468	(3)	1,424	(45)
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	(371)	(345)	(784)	(712)
Interest expense	5,064	4,773	9,130	9,779

## 20. Taxation

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

	Quarter ended 30 Jun 2015 RM '000	Year to-date 30 Jun 2015 RM '000	Quarter ended 30 Jun 2014 RM '000	Year to-date 30 Jun 2014 RM '000
Current tax	(353)	(983)	(61)	(446)
Deferred tax	(29)	6	(485)	(618)
Total tax expense	(382)	(977)	(546)	(1,064)

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:

- (a) Certain 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	17,548	-	17,548
Bankers Acceptance	41,816	-	41,816
Revolving Credit	116,939	-	116,939
Hire Purchase Creditors	1,657	3,548	5,205
Term Loans	7,149	65,674	72,823
	185,109	69,222	254,331

## 23. Financial Instruments

### Fair value hierarchy

As at 30 June 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 30 June 2015

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

### At 30 June 2014

	Level 1 RM '000	Level 2 RM '000	Total 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 18 August 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 30 June 2015 (30 June 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 30/6/2015	Preceding Year Quarter Ended 30/6/2014	Current Year To-Date 30/6/2015	Preceding Year To-Date 30/6/2014
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	(3,821)	1,078	(8,203)	1,586
<b>Weighted average number of shares - ('000)</b>	61,083	61,083	61,083	61,083
<b>Basic earnings/(loss) per share (sen)</b>	(6.26)	1.76	(13.43)	2.60

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 18 August 2015.