

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 September 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 September 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 September 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 nine months ended 30 September 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>	
2015				
Revenue	821,527	24,223	(579,882)	265,868
Results				
Segment results	6,657	1,824	-	8,481
Unallocated costs				(116)
Profit from operations				8,365
Finance income				1,222
Finance costs				(14,385)
Share of results of associated companies				-
Profit before tax				(4,798)

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
<hr/>				
Results				
Segment results	15,781	2,160	-	17,941
Unallocated costs				(539)
<hr/>				
Profit from operations				17,402
Finance income				1,070
Finance costs				(14,857)
Share of results of associated companies				-
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Profit before tax				3,615
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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 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 RM244.39 million as at 30 September 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 third quarter ended 30 September 2015 compared to the preceding year's third quarter ended 30 September 2014 is as shown in Table A below:

Table A

Description	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	85,186	93,260	(8,074)	(9)
-Property development	3,702	7,842	(4,140)	(53)
	-----	-----		
	88,888	101,102		
	-----	-----		
Profit attributable to owners of the parent	1,810	462	1,348	292

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 September 2015, the poultry segment recorded a lower revenue of RM85.19 million as compared with RM93.26 million in the corresponding quarter ended 30 September 2014, a decrease of 9%. The decrease was mainly due to lower volume of live broilers and lower average selling price of live broilers during the current quarter ended 30 September 2015 as compared to corresponding quarter ended 30 September 2014. Furthermore, there were no table eggs sold in the current quarter as the Group ceased its egg layer division in April 2015.

The property development segment posted a lower revenue of RM3.70 million in the current quarter ended 30 September 2015 as compared to the revenue of RM7.84 million in the corresponding quarter ended 30 September 2014, a decrease of 53%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 30 September 2015 as compared to corresponding quarter ended 30 September 2014.

However, the Group posted a profit attributable to owners of the parent of RM1.81 million during the current quarter ended 30 September 2015 as compared to profit attributable to owners of the parent of RM0.46 million in the corresponding quarter ended 30 September 2014. This was mainly due to gain on disposal of property, plant and equipment in the layer division in the current quarter under review.

This was partially negated by a lower average selling prices of live broilers and and

lower volume of live broilers sold during the current quarter ended 30 September 2015 when compared with that of the corresponding quarter ended 30 September 2014.

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

Table B

Description	9 months ended 30 Sep 2015 RM'000	9 months ended 30 Sep 2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	251,014	307,961	(56,947)	(18)
-Property development	14,854	16,389	(1,535)	(9)
	-----	-----		
	265,868	324,350		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	(6,393)	2,049	(8,442)	(412)

For the nine months period ended 30 September 2015, the poultry segment recorded a lower revenue of RM251.01 million as compared with RM307.96 million in the corresponding period ended 30 September 2014, a decrease of 18%. 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 nine months period ended 30 September 2015 as compared to corresponding period ended 30 September 2014. The lower volume of table eggs during the nine months period ended 30 September 2015 was due to the cessation of the Group's egg layer division in April 2015.

The property development segment posted a lower revenue of RM14.85 million in the nine months period ended 30 September 2015 as compared to the revenue of RM16.39 million in the corresponding period ended 30 September 2014, a decrease of 9%. This was due to lower recognition of revenue on the percentage completion basis during the nine months period ended 30 September 2015 as compared to corresponding period ended 30 September 2014.

The Group posted a loss attributable to owners of the parent of RM6.39 million during the nine months period ended 30 September 2015 as opposed to a profit attributable to owners of the parent of about RM2.05 million during the corresponding period ended 30 September 2014. This was mainly due to the lower average selling price and lower sales volume of live broilers sold during the nine months period ended 30 September 2015 as compared to corresponding period ended 30 September 2014. However, this was mitigated by a gain on disposal of the layer division's property, plant and equipment during the nine months period ended 30 September 2015.

15. Comparison to Preceding Quarter's Results

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

Table C

Description	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Jun 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	85,186	82,150	3,036	4
-Property development	3,702	4,724	(1,022)	(22)
	-----	-----		
	88,888	86,874		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	1,810	(3,821)	5,631	147

For the current quarter ended 30 September 2015, the poultry segment posted a slightly higher revenue of RM85.19 million compared to the turnover of RM82.15 million recorded in the previous quarter ended 30 June 2015, an increase of 4%. The increase was mainly due to increase in sales volume of live broilers during the current quarter ended 30 September 2015.

The property development segment posted a lower revenue of RM3.70 million in the current quarter ended 30 September 2015 as compared to the revenue of RM4.72 million in the preceding quarter ended 30 June 2015, a decrease of 22%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 30 September 2015 as compared to previous quarter ended 30 June 2015.

The Group posted a profit attributable to owners of the parent of RM1.81 million during the current quarter ended 30 September 2015 as opposed to a loss attributable to owners of the parent of RM3.82 million during the previous quarter ended 30 June 2015. This was mainly due to gain on disposal of the remainder of the property, plant and equipment in the layer division million coupled with a decrease in cost of live broilers during the current quarter resulting from decreased average prices of imported raw feedstuffs.

16. Prospects

As at the date of this report, the average purchase prices of imported raw materials continue to be negatively affected by the weakness of the Ringgit. Furthermore, there is an apparent slow down in consumption trends that lead to a very challenging year end.

17. Disclosure of Realised and Unrealised Profits or Losses

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

	As at 30 Sep 2015 RM'000 (Unaudited)	As at 30 Jun 2015 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	57,862	58,831
- Unrealised	13,487	13,420
	71,349	72,251
Total share of accumulated losses of associates		
- Realised	-	-
	71,349	72,251
Less: Consolidation adjustments	(32,906)	(31,998)
	38,443	40,253

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 2015 RM'000	Preceding Year Quarter ended 30 Sep 2014 RM'000	Current Year to- date 30 Sep 2015 RM'000	Preceding Year to- date 30 Sep 2014 RM'000
Depreciation and amortization	2,430	2,023	7,434	7,137
Foreign exchange loss / (gain)	(341)	5	(242)	30
(Gain) / loss on disposal of properties, plant and equipment	4,345	(54)	2,921	(99)
Gain on disposal of subsidiary companies	-	(73)	-	(101)
Gain on disposal of associated companies	-	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	(437)	(358)	(1,222)	(1,070)
Interest expense	5,255	5,078	14,385	14,857

20. Taxation

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

	Quarter ended 30 Sep 2015 RM '000	Year to-date 30 Sep 2015 RM '000	Quarter ended 30 Sep 2014 RM '000	Year to-date 30 Sep 2014 RM '000
Current tax	(234)	(1,217)	(870)	(1,316)
Deferred tax	(73)	(67)	(389)	(1,007)
Total tax expense	(307)	(1,284)	(1,259)	(2,323)

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 16 June 2015, the High Court had granted an order confirming the proposed Capital Reduction in Joint Farming Sdn Bhd, a 58.91% owned subsidiary of the Company held via Sinmah Livestocks Sdn Bhd. The High Court Order was duly lodged to the Companies Commission of Malaysia on 15 July 2015, thereby effecting the proposed Capital Reduction.

22. Group Borrowings

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

- (a) The borrowings of the Group are secured by way of fixed and floating charges over certain assets and negative pledges over assets of the Group, corporate guarantees from the Company's certain existing operating subsidiaries and undertaking by the holding company to fully repay the facilities should the Company be unable to meet its obligations.
- (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	16,866	-	16,866
Bankers Acceptance	39,830	-	39,830
Revolving Credit	116,932	-	116,932
Hire Purchase Creditors	1,633	3,828	5,461
Term Loans	6,810	64,505	71,315
	<u>182,071</u>	<u>68,333</u>	<u>250,404</u>

23. Financial Instruments

Fair value hierarchy

As at 30 September 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 September 2015

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

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

There were no off balance sheet financial instruments as at 26 November 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 September 2015 (30 September 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 30/9/2015	Preceding Year Quarter Ended 30/9/2014	Current Year To-Date 30/9/2015	Preceding Year To-Date 30/9/2014
Profit/(loss) attributable to owners of the parent (RM'000)	1,810	462	(6,393)	2,049
Weighted average number of shares - ('000)	61,083	61,083	61,083	61,083
Basic earnings/(loss) per share (sen)	2.96	0.76	(10.47)	3.35

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 26 November 2015.