

**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 31 December 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 December 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 twelve months ended 31 December 2015 was as follows:

	<u>Poultry</u>	<u>Property</u>	<u>Eliminations</u>	<u>Group</u>
	RM'000	development RM'000	RM'000	RM'000
<b>2015</b>				
Revenue	1,092,141	28,633	(774,848)	345,926
<b>Results</b>				
Segment results	1,236	1,803	-	3,039
Unallocated costs				(288)
Profit from operations				2,751
Finance income				1,828
Finance costs				(19,504)
Share of results of associated companies				-
Loss before tax				(14,925)

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><u>2014</u></b>				
Revenue	1,246,096	42,905	(870,575)	418,426
<b>Results</b>				
Segment results	19,310	3,155	-	22,465
Unallocated costs				314
Profit from operations				22,779
Finance income				1,467
Finance costs				(18,813)
Share of results of associated companies				-
Profit before tax				5,433

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 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 RM236.14 million as at 31 December 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 fourth quarter ended 31 December 2015 compared to the preceding year's fourth quarter ended 31 December 2014 is as shown in Table A below:

Table A

Description	3 months ended 31 Dec 2015 RM'000	3 months ended 31 Dec 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	76,260	87,075	(10,815)	(12)
-Property development	3,798	6,932	(3,134)	(45)
	-----	-----		
	80,058	94,007		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(10,300)	198	(10,498)	(>100)

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 December 2015, the poultry segment recorded a lower revenue of RM76.26 million as compared with RM87.08 million in the corresponding quarter ended 31 December 2014, a decrease of 12%. The decrease was mainly due to lower volume of live broilers and lower average selling price of live broilers during the current quarter ended 31 December 2015 as compared to corresponding quarter ended 31 December 2014.

The property development segment posted a lower revenue of RM3.80 million in the current quarter ended 31 December 2015 as compared to the revenue of RM6.93 million in the corresponding quarter ended 31 December 2014, a decrease of 45%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 31 December 2015 as compared to corresponding quarter ended 31 December 2014.

As a result of the above, the Group posted a loss attributable to owners of the parent of RM10.30 million during the current quarter ended 31 December 2015 as opposed to profit attributable to owners of the parent of RM0.20 million in the corresponding quarter ended 31 December 2014. This was mainly due to lower average selling price and lower sales volume of live broilers during the current quarter under review.

The Group's performance for the twelve months ended 31 December 2015 as compared to the twelve months ended 31 December 2014 is as shown in Table B below:

Table B

Description	12 months ended 31 Dec 2015 RM'000	12 months ended 31 Dec 2014 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	327,274	395,105	(67,831)	(17)
-Property development	18,652	23,321	(4,669)	(20)
	-----	-----		
	345,926	418,426		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(16,693)	2,230	(18,923)	(>100)

For the year ended 31 December 2015, the poultry segment recorded a lower revenue of RM327.27 million as compared with RM395.11 million in the corresponding year ended 31 December 2014, a decrease of 17%. 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 year ended 31 December 2015 as compared to corresponding year ended 31 December 2014. The lower volume of table eggs during the year ended 31 December 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 RM18.65 million in the year ended 31 December 2015 as compared to the revenue of RM23.32 million in the corresponding year ended 31 December 2014, a decrease of 20%. This was due to lower recognition of revenue on the percentage completion basis during the year ended 31 December 2015 as compared to corresponding year ended 31 December 2014.

The Group posted a loss attributable to owners of the parent of RM16.69 million during the year ended 31 December 2015 as opposed to a profit attributable to owners of the parent of about RM2.25 million during the corresponding year ended 31 December 2014. This was mainly due to the lower average selling price and lower sales volume of live broilers sold during the year ended 31 December 2015 as compared to corresponding year ended 31 December 2014.

## 15. Comparison to Preceding Quarter's Results

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

Table C

Description	3 months ended 31 Dec 2015 RM'000	3 months ended 30 Sep 2015 RM'000	Increase/(Decrease)	
			RM'000	%
<b>Revenue</b>				
-Poultry	76,260	85,186	(8,926)	(10)
-Property development	3,798	3,702	96	3
	-----	-----		
	80,058	88,888		
	-----	-----		
<b>Profit/(Loss) attributable to owners of the parent</b>	(10,300)	1,810	(12,110)	(>100)

For the current quarter ended 31 December 2015, the poultry segment posted a lower revenue of RM76.26 million compared to the turnover of RM85.19 million recorded in the previous quarter ended 30 September 2015, a decrease of 10%. The decrease was mainly due to decrease in average selling price of live broilers during the current quarter ended 31 December 2015.

The property development segment posted a slightly higher revenue of RM3.80 million in the current quarter ended 31 December 2015 as compared to the revenue of RM3.70 million in the preceding quarter ended 30 September 2015, an increase of 3%. This was due to higher recognition of revenue on the percentage completion basis in the current quarter ended 31 December 2015 as compared to previous quarter ended 30 September 2015.

The Group posted a loss attributable to owners of the parent of RM10.30 million during the current quarter ended 31 December 2015 as opposed to a profit attributable to owners of the parent of RM1.81 million during the previous quarter ended 30 September 2015. This was mainly due to decrease in average selling price of live broilers during the current quarter ended 31 December 2015.

## 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. However, due to the current improved average selling prices of live broilers, the Group is cautiously optimistic of better results during the first quarter of the coming financial year ending 31 December 2016.

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

The accumulated losses as at 31 December 2015 and 30 September 2015 are analysed as follows:

	As at 31 Dec 2015 RM'000 (Unaudited)	As at 30 Sep 2015 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	61,878	57,862
- Unrealised	13,847	13,487
	<u>75,725</u>	<u>71,349</u>
Total share of accumulated losses of associates		
- Realised	-	-
	<u>75,725</u>	<u>71,349</u>
Less: Consolidation adjustments	(26,980)	(32,906)
	<u>48,745</u>	<u>38,443</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 2015 RM'000	Preceding Year Quarter ended 31 Dec 2014 RM'000	Current Year to- date 31 Dec 2015 RM'000	Preceding Year to- date 31 Dec 2014 RM'000
Depreciation and amortization	3,044	3,248	10,478	10,006
Foreign exchange loss / (gain)	(662)	48	420	-
(Gain) / loss on disposal of properties, plant and equipment	293	(10)	(2,628)	(137)
Loss on disposal of subsidiary companies	-	73	-	44
Gain on disposal of associated companies	-	-	-	1,200
Impairment loss of investment in associated companies	-	-	-	(245)
Impairment of assets	-	-	-	-
Impairment of goodwill	-	-	-	-
Provision for write-off of receivables	1,361	1,805	1,361	1,805



Provision for write-off of inventories	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
Interest income	(606)	(319)	(1,828)	(1,467)
Interest expense	5,119	5,144	19,504	18,813

## 20. Taxation

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

	Quarter ended 31 Dec 2015 RM '000	Year to-date 31 Dec 2015 RM '000	Quarter ended 31 Dec 2014 RM '000	Year to-date 31 Dec 2014 RM '000
Current tax	234	(983)	(773)	(1,897)
Deferred tax	(360)	(427)	(1,460)	(1,920)
Total tax expense	(126)	(1,410)	(2,233)	(3,817)

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) 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	14,113	-	14,113
Bankers Acceptance	34,841	-	34,841
Revolving Credit	116,926	-	116,926
Hire Purchase Creditors	1,280	3,602	4,882
Term Loans	7,016	63,240	70,256
	174,176	66,842	241,018

## 23. Financial Instruments

### Fair value hierarchy

As at 31 December 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 December 2015

	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 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	-	-	-

There were no off balance sheet financial instruments as at 24 February 2016.

## 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 2015 (31 December 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 31/12/2015	Preceding Year Quarter Ended 31/12/2014	Current Year To-Date 31/12/2015	Preceding Year To-Date 31/12/2014
<b>Profit/(loss) attributable to owners of the parent (RM'000)</b>	(10,300)	198	(16,693)	2,230
<b>Weighted average number of shares - ('000)</b>	61,083	61,083	61,083	61,083
<b>Basic earnings/(loss) per share (sen)</b>	(16.86)	0.32	(27.33)	3.65

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 24 February 2016.

