

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 2015. 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 2015.

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 2015.

On 1 January 2016, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
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, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 Jan 2016
Annual Improvements to FRSs 2012 -2104 Cycle	1 Jan 2016
Amendments to FRS 101: Disclosure Initiatives	1 Jan 2016

The adoption of the above standards did not have any material impact on the financial performance or position of the Group.

At the date of these interim financial statements, the following FRSs, Amendments to FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 15 Revenue from Contract from Customers	1 Jan 2018
FRS 9 Financial Instruments	1 Jan 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	Deferred

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 continue to use the existing FRS Framework. The adoption of MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company 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 and the Company have 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 2016 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 2015 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 2016.

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 2016.

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 2016 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>	<u>RM'000</u>	<u>RM'000</u>
<u>2016</u>				
Revenue	199,663	2,871	(113,001)	89,533
Results				
Segment results	4,662	(603)	-	4,059
Unallocated costs				(143)
Profit from operations				3,916
Finance income				414
Finance costs				(4,816)
Loss before tax				(486)

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
2015				
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)
Loss before tax				(3,570)

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 2016, other than the following:

On 6 May 2016, the disposal of ten (10) parcels of freehold vacant land in Mukim Grisek, Daerah Ledang Johor ("Land") by Sinmah Poultry Farm Sdn Bhd, a wholly-owned subsidiary of the Company to Budi Saja Sdn Bhd for a cash consideration of RM27,000,000 was completed in accordance with the terms and conditions of the Sale and Purchase Agreement dated 12 June 2015.

An announcement was duly made to Bursa Malaysia Securities Berhad on 6 May 2016.

11. Changes to the composition of the Group

There were no changes in the composition of the Group in the current quarter under review, except for the following:

On 22 March 2016, the Group made an internal re-organisation of its group structure wherein Farm's Best Food Industries Sdn Bhd ("FBFI"), a wholly-owned subsidiary of the Company had sold the entire equity of 200,000 shares of RM1.00 each in SM Broilers Sdn Bhd ("SMB") to Sinmah Livestocks Sdn Bhd ("SLSB"), also a wholly-owned subsidiary of the Company for a total sales consideration of RM200,000.

The above internal re-organisation is to streamline the Group's operations. Upon completion of the above internal re-organisation, SMB will become a wholly-owned subsidiary of SLSB.

The above transaction is not expected to have any material effects on earnings or net assets of the Company for the financial year ending 31 December 2016.

An announcement was duly made to Bursa Malaysia Securities Berhad on 22 March 2016.

12. Contingent Liabilities

The Company provides corporate guarantee to financial institutions for all unsecured credit facilities granted to subsidiaries amounting to RM230.74 million as at 31 March 2016.

13. Capital Commitments

There were no material capital commitments during the quarter under review.

FARM'S BEST BERHAD (301653-V)
(Incorporated in Malaysia)

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 2016 compared to the preceding year’s first quarter ended 31 March 2015 is as shown in Table A below:

Table A

Description	3 months ended 31 Mar 2016 RM'000	3 months ended 31 Mar 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	88,434	83,678	4,756	6
-Property development	1,099	6,428	(5,330)	(83)
	-----	-----		
	89,533	90,106		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	(520)	(4,382)	3,862	>100

Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 31 March 2016, the poultry segment recorded a higher revenue of RM88.43 million as compared with RM83.68 million in the corresponding quarter ended 31 March 2015, an increase of 6%. The increase was mainly due to higher average selling price of live broilers during the current quarter ended 31 March 2016 as compared to corresponding quarter ended 31 March 2015.

The property development segment posted a lower revenue of RM1.10 million in the current quarter ended 31 March 2016 as compared to the revenue of RM6.43 million in the corresponding quarter ended 31 March 2015, a decrease of 83%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 31 March 2016 as compared to corresponding quarter ended 31 March 2015.

As a result of the above, the Group posted a lower loss attributable to owners of the parent of RM0.52 million during the current quarter ended 31 March 2016 as compared to a loss attributable to owners of the parent of RM4.38 million in the corresponding quarter ended 31 March 2015. This was mainly due to higher average selling price of live broilers and lower average purchase costs of imported raw feedstuff during the current quarter under review.

15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 31 March 2016 compared to the previous quarter ended 31 December 2015 is as shown in Table B below:

Table B

Description	3 months ended 31 Mar 2016 RM'000	3 months ended 31 Dec 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue				
-Poultry	88,434	76,260	12,174	16
-Property development	1,099	3,798	(2,699)	(71)
	-----	-----		
	89,533	80,058		
	-----	-----		
Profit/(Loss) attributable to owners of the parent	(520)	(10,300)	9,780	95

For the current quarter ended 31 March 2016, the poultry segment posted a higher revenue of RM88.43 million compared to the turnover of RM76.26 million recorded in the previous quarter ended 31 December 2015, an increase of 16%. The increase was mainly due to increase in average selling price and sales volume of live broilers during the current quarter ended 31 March 2016.

The property development segment posted a lower revenue of RM1.10 million in the current quarter ended 31 March 2016 as compared to the revenue of RM3.80 million in the preceding quarter ended 31 December 2015, a decrease of 71%. This was due to lower recognition of revenue on the percentage completion basis in the current quarter ended 31 March 2016 as compared to previous quarter ended 31 December 2015.

The Group posted a loss attributable to owners of the parent of RM0.52 million during the current quarter ended 31 March 2016 as compared to a loss attributable to owners of the parent of RM10.30 million during the previous quarter ended 31 December 2015. This was mainly due to increase in average selling price of live broilers and decrease in average purchase costs of imported raw feedstuff during the current quarter ended 31 March 2016.

16. Prospects

As at the date of this report, the average purchase costs of imported raw materials is lower than the average prices during the quarter under review. However, the average selling price of live broilers is currently lower than the average selling price during the quarter under review. As such, the Group is expecting a challenging time during second quarter of the financial year ending 31 December 2016.

17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 31 March 2016 and 31 December 2015 are analysed as follows:

	As at 31 Mar 2016 RM'000 (Unaudited)	As at 31 Dec 2015 RM'000 (Audited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	77,055	76,641
- Unrealised	9,320	9,320
	<u>86,375</u>	<u>85,961</u>
Less: Consolidation adjustments	(38,033)	(38,138)
	<u>48,342</u>	<u>47,823</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 Mar 2016 RM'000	Preceding Year Quarter ended 31 Mar 2015 RM'000	Current Year to- date 31 Mar 2016 RM'000	Preceding Year to- date 31 Mar 2015 RM'000
Depreciation and amortization	1,884	2,338	1,884	2,338
Foreign exchange loss / (gain)	7	38	7	38
(Gain) / loss on disposal of properties, plant and equipment	(15)	(44)	(15)	(44)
Loss on disposal of subsidiary companies	-	-	-	-
Gain on disposal of associated companies	-	-	-	-
Impairment loss of investment in associated companies	-	-	-	-

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	(414)	(413)	(414)	(413)
Interest expense	4,816	4,066	4,816	4,066

20. Taxation

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

	Quarter ended 31 Mar 2016 RM '000	Year to-date 31 Mar 2016 RM '000	Quarter ended 31 Mar 2015 RM '000	Year to-date 31 Mar 2015 RM '000
Current tax	(343)	(343)	(630)	(630)
Deferred tax	307	307	35	35
Total tax expense	<u>(36)</u>	<u>(36)</u>	<u>(595)</u>	<u>(595)</u>

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	14,595	-	14,595
Bankers Acceptance	33,314	-	33,314
Revolving Credit	115,997	-	115,997
Hire Purchase Creditors	1,768	2,576	4,344
Term Loans	<u>7,538</u>	<u>59,292</u>	<u>66,830</u>

173,212	6,1868	235,080
---------	--------	---------

23. Financial Instruments

Fair value hierarchy

As at 31 March 2016, 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 2016

	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 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	-	-	-

There were no off balance sheet financial instruments as at 26 May 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 March 2016 (31 March 2015: 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 31/03/2016	Preceding Year Quarter Ended 31/03/2015	Current Year To-Date 31/03/2016	Preceding Year To-Date 31/03/2015
Profit/(loss) attributable to owners of the parent (RM'000)	(520)	(4,382)	(520)	(4,382)
Weighted average number of shares - ('000)	61,083	61,083	61,083	61,083
Basic earnings/(loss) per share (sen)	(0.85)	(7.17)	(0.85)	(7.17)

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 May 2016.