

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 30 June 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 30 June 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 30 June 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 six months ended 30 June 2016 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>2016</u>				
<u>Continuing operations</u>				
Revenue	329,407	13,866	(222,161)	121,112
Results				
Segment results	14,562	595	-	15,157
Unallocated costs				(220)
Profit from operations				14,937
Finance income				826
Finance costs				(7,428)
Profit before tax from continuing operations				8,335

	<u>Poultry</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
<u>Dis-continued operations</u>				
Revenue	64,550	-	-	64,550
Results				
Segment results	(6,203)	-	-	(6,203)
Unallocated costs				-
Loss from operations				(6,203)
Finance income				-
Finance costs				(1,651)
Loss before tax from dis-continued operations				(7,854)

Segment information for the six months ended 30 June 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>				
<u>Continuing operations</u>				
Revenue	492,791	19,421	(386,636)	125,576
Results				
Segment results	7,313	1,330	-	8,643
Unallocated costs				(68)
Profit from operations				8,575
Finance income				784
Finance costs				(6,706)
Profit before tax from continuing operations				2,653
<u>Dis-continued operations</u>				
Revenue	51,404	-	-	51,404
Results				
Segment results	(7,292)	-	-	(7,292)
Unallocated costs				-
Loss from operations				(7,292)
Finance income				-
Finance costs				(2,424)
Loss before tax from dis-continued operations				(9,716)

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 2016, except for the following:

On 3 June 2016, the Company announced the disposal of its subsidiary company, Farm's Best Food Industries Sdn Bhd ("FBF"), by entering into a share sale agreement to sell its entire equity interest in FBF comprising 50,000,000 ordinary shares of RM1.00 ("FBF Shares") for an indicative cash consideration of RM9,450,000 to the following purchasers:

Purchasers	No. of FBF Shares	% of FBF Shares	Sales Consideration (RM)
1) CAB Cakaran Corporation Berhad	25,500,000	51	4,819,500
2) Tong Huat Poultry Processing Factory Pte Ltd	2,000,000	4	378,000
3) Plant Wealth Holdings Limited	20,000,000	40	3,780,000
4) Brighton Property Pte Ltd	2,500,000	5	472,500
Total	50,000,000	100	9,450,000

The FBF Shares shall be disposed free from any mortgage, charge (whether fixed or floating), pledge, lien, incumbrance, hypothecation, security interest, title retention or other security arrangement of any kind or any other incumbrances of any nature whatsoever.

The proposed disposal is expected to be completed in the third quarter of the financial year ending 31 December 2016, and as at 26 August 2016, final negotiations for the sale are in progress. As at 30 June 2016, the assets and liabilities of FBF have been presented on the statements of financial position as a disposal group held for sale and results of from this subsidiary has been separated into poultry farming and poultry processing.

The results of the poultry processing operations is presented separately on the statements of profit or loss and comprehensive income as discontinued operations. The results of the poultry farming operations is presented together with other continuing operations of the Group as the contract farming operations will be transferred to another subsidiary company of the Group, namely, Sinmah Livestocks Sdn Bhd.

Statements of Financial Position

The major classes of assets and liabilities of FBF classified as held for sale as at 30 June 2016 are as follows:

	Group RM'000
Assets	
Property, plant and equipment	43,933
Inventories	7,643
Trade receivables	12,610
Other receivables	7,247
Cash and bank balances	124
Assets included in disposal group classified as held for sale	<u>71,557</u>
Liabilities	
Trade payables	7,510
Other payables	3,251
Bank borrowings	32,068
Deferred tax liabilities	6,888
Assets included in disposal group classified as held for sale	<u>49,717</u>
Net assets directly associated with disposal group classified as held for sale	<u>21,840</u>

Statements of Profit or Loss and Other Comprehensive Income

The results of discontinued operations of FBF are as follows:

	6 months ended 30 June 2016 RM'000	3 months ended 31 March 2016 RM'000
Revenue	64,550	29,119
Cost of sales	<u>(61,093)</u>	<u>(27,437)</u>
Gross profit	3457	1,682
Other income	64	26
Administrative expenses	(4,563)	(2,396)
Selling expenses	<u>(5,161)</u>	<u>(2,831)</u>
Loss from operations	(6,203)	(3,519)
Finance cost	<u>(1,651)</u>	<u>(959)</u>
Loss for the period	<u>(7,854)</u>	<u>(4,478)</u>

The loss from discontinued operation is attributable entirely to the owners of the Company.

Statements of Cash Flows

Cash flows attributable to the discontinued operations of FBF are as follows:

	30 June 2016 RM'000	30 June 2015 RM'000
Net cash from / (used) in operating activities	(6,551)	(8,262)
Net cash from / (used) in investing activities	(318)	(243)
Net cash from / (used) in financing activities	(14,146)	456
Effect on cash flows	<u>(21,015)</u>	<u>(8,059)</u>

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 RM169.56 million as at 30 June 2016.

13. Capital Commitments

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

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 2016 compared to the preceding year’s second quarter ended 30 June 2015 is as shown in Table A below:

Table A

Description	3 months ended 30 Jun 2016 RM'000	3 months ended 30 Jun 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue from continuing operations				
-Poultry	50,320	56,113	(5,793)	(10)
-Property development	10,379	4,723	5,656	>100
	-----	-----		
	60,699	60,836		
	-----	-----		
Profit attributable to owners of the parent	4,208	2,670	1,538	58
Loss from discontinued operations	(3,375)	(6,491)	3,116	48
	-----	-----		
Total comprehensive income attributable to owners of the parent	833	(3,821)	4,654	>100
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Detailed analysis for current quarter and corresponding quarter

For the current quarter ended 30 June 2016, the poultry segment of continuing operations recorded a lower revenue of RM50.32 million as compared with RM56.11 million in the corresponding quarter ended 30 June 2015, a decrease of 10%. The decrease was mainly due decrease in sales volume of live broilers during the current quarter ended 30 June 2016 as compared to corresponding quarter ended 30 June 2015.

The property development segment posted a higher revenue of RM10.38 million in the current quarter ended 30 June 2016 as compared to the revenue of RM4.73 million in the corresponding quarter ended 30 June 2015, an increase of more than 100%. This was due to higher recognition of revenue on the percentage completion basis in the current quarter ended 30 June 2016 as compared to corresponding quarter ended 30 June 2015. The higher recognition of revenue was attributable to sales launching of new blocks of the Krubong Utama project and also sales launching of the Tanjung Minyak project

during the quarter under review.

As a result of the above, the Group posted a profit attributable to owners of the parent of RM4.21 million during the current quarter ended 30 June 2016 as compared to a loss attributable to owners of the parent of RM2.76 million in the corresponding quarter ended 30 June 2015. This was mainly due to higher average selling price of live broilers coupled with lower average purchase costs of imported raw feedstuff and higher profit from the property development division during the current quarter under review. This is partially offset by a provision on impairment loss on trade receivables (contract farmers) during quarter under review.

Loss from discontinued operations was RM3.38 million during the current quarter ended 30 June 2016 as compared to RM6.49 million in the corresponding quarter ended 30 June 2015, a decrease of 48%. The decrease in loss from discontinued operations was mainly due to increase in average selling prices and sales volume of processed poultry products.

The Group's performance for the six months ended 30 June 2016 as compared to the six months ended 30 June 2015 is as shown in Table B below:

Table B

Description	6 months ended 30 Jun 2016 RM'000	6 months ended 30 Jun 2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue from continuing operations				
-Poultry	109,634	114,424	(4,790)	(4)
-Property development	11,478	11,152	326	3
	-----	-----		
	121,112	125,576		
	-----	-----		
Profit attributable to owners of the parent	8,167	1,513	6,654	>100
Loss from discontinued operations	(7,854)	(9,716)	1,862	19
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Total comprehensive income attributable to owners of the parent	313	(8,203)	8,516	>100
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For the six months period ended 30 June 2016, the poultry segment of continuing operations recorded a lower revenue of RM109.63 million as compared with RM114.42 million in the corresponding period ended 30 June 2015, a decrease of 4%. The lower revenue was mainly due to decrease in sales volume of live broilers during the six months period ended 30 June 2016 as compared to corresponding period ended 30 June

2015.

The property development segment posted a higher revenue of RM11.48 million in the six months period ended 30 June 2016 as compared to the revenue of RM11.15 million in the corresponding period ended 30 June 2015, an increase of 3%. This was due to more higher recognition of profit on the percentage of completion method during the six months period ended 30 June 2016 as compared to corresponding period ended 30 June 2015. The higher recognition of revenue was attributable to sales launching of new blocks of the Krubong Utama project and also sales launching of the Tanjung Minyak project during the six months ended 30 June 2016.

The Group posted a profit attributable to owners of the parent of RM8.17 million during the six months period ended 30 June 2016 as compared to a profit attributable to owners of the parent of about RM1.51 million during the corresponding period ended 30 June 2015. This was mainly due to the higher average selling price live broilers coupled with lower average purchase costs of imported raw feedstuff during the six months period ended 30 June 2016 as compared to corresponding period ended 30 June 2015. However, this was partially offset by a provision on impairment loss on trade receivables during the six months ended 30 June 2016.

Loss from discontinued operations was RM7.85 million during the six months period ended 30 June 2016 as compared to RM9.72 million in the corresponding six months period ended 30 June 2015, a decrease of 19%. The decrease in loss from discontinued operations was mainly due to increase in average selling prices and sales volume of processed poultry products.

15. Comparison to Preceding Quarter's Results

The Group's performance for the current quarter ended 30 June 2016 compared to the previous quarter ended 31 March 2016 is as shown in Table B below:

Table C

Description	3 months ended 30 Jun 2016 RM'000	3 months ended 31 Mar 2016 RM'000	Increase/(Decrease)	
			RM'000	%

Revenue from continuing operations				
-Poultry	50,320	59,315	(8,995)	(15)
-Property development	10,379	1,099	9,280	>100
	-----	-----		
	60,699	60,414		
	-----	-----		
Profit attributable to owners of the parent	4,208	3,953	255	6
Loss from discontinued operations	(3,375)	(4,473)	1,098	25
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Total comprehensive income attributable to owners of the parent	833	(520)	1,353	>100
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For the current quarter ended 30 June 2016, the poultry segment continuing operations posted a lower revenue of RM50.32 million compared to the turnover of RM59.32 million recorded in the previous quarter ended 31 March 2016, a decrease of 15%. The decrease was mainly due to decrease in sales volume of live broilers during the current quarter ended 30 June 2016.

The property development segment posted a higher revenue of RM10.38 million in the current quarter ended 30 June 2016 as compared to the revenue of RM1.10 million in the preceding quarter ended 31 March 2016, an increase of more than 100%. This was due to higher recognition of revenue on the percentage completion basis in the current quarter ended 30 June 2016 as compared to previous quarter ended 31 March 2016. The higher recognition of revenue was attributable to sales launching of new blocks of the Krubong Utama project and also sales launching of the Tanjung Minyak project during the quarter ended 30 June 2016.

The Group posted a profit attributable to owners of the parent of RM4.21 million during the current quarter ended 30 June 2016 as compared to a profit attributable to owners of the parent of RM3.95 million during the previous quarter ended 31 March 2016. This was mainly due to increase in average selling price of live broilers coupled with a decrease in average purchase costs of imported raw feedstuff during the current quarter ended 30 June 2016. However, this is partially offset by a provision of impairment loss on trade receivables (contract farmers) during the quarter ended 30 June 2016.

Loss from discontinued operations was RM3.38 million during the current quarter ended 30 June 2016 as compared to RM6.49 million in the corresponding quarter ended 30 June 2015, a decrease of 48%. The decrease in loss from discontinued operations was mainly due to increase in average selling prices and sales volume of processed poultry products.

16. Prospects

As at the date of this report, the average purchase costs of imported raw feedstuffs are expected to remain stable. However, the average selling price of live broilers is currently higher than the average selling price during the quarter under review. As such, the Group is hopeful of producing a positive set of results in the third quarter of the financial year ending 31 December 2016.

17. Disclosure of Realised and Unrealised Profits or Losses

The accumulated losses as at 30 June 2016 and 31 March 2016 are analysed as follows:

	As at 30 Jun 2016 RM'000 (Unaudited)	As at 31 Mar 2016 RM'000 (Unaudited)
Total accumulated losses of the Group and its subsidiaries:		
- Realised	75,841	77,055
- Unrealised	9,320	9,320
	<u>85,161</u>	<u>86,375</u>
Less: Consolidation adjustments	<u>(37,651)</u>	<u>(38,033)</u>
	<u>47,510</u>	<u>48,342</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 2016 RM'000	Preceding Year Quarter ended 30 Jun 2015 RM'000	Current Year to- date 30 Jun 2016 RM'000	Preceding Year to- date 30 Jun 2015 RM'000
Continuing operations				
Depreciation and amortization	1,379	1,754	2,612	3,550
Foreign exchange loss / (gain)	42	61	49	99
(Gain) / loss on disposal of properties, plant and equipment	(49)	1,468	(64)	1,424
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	-	-	-	-
Impairment loss on receivables	5,000	-	5,000	-
Provision for write-off of inventories	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-
Interest income	(409)	(371)	(821)	(784)
Interest expense	3,571	3,851	7,428	6,706
Discontinued operations				
Depreciation and amortization	650	912	1,301	1,454
Interest income	(3)	-	(5)	-
Interest expense	691	1,213	1,650	2,424

20. Taxation

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

	Quarter ended 30 Jun 2016 RM '000	Year to-date 30 Jun 2016 RM '000	Quarter ended 30 Jun 2015 RM '000	Year to-date 30 Jun 2015 RM '000
Current tax	(82)	(425)	(353)	(983)
Deferred tax	60	367	(29)	6
Total tax expense	(22)	(58)	(382)	(977)

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	14,096	-	14,096
Bankers Acceptance	31,046	-	31,046
Revolving Credit	116,407	-	116,407
Hire Purchase Creditors	1,205	2,024	3,229
Term Loans	5,658	16,451	22,109
	<u>168,412</u>	<u>18,475</u>	<u>186,887</u>

23. Financial Instruments

Fair value hierarchy

As at 30 June 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 30 June 2016

	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	-	-	-
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At 30 June 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 August 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 30 June 2016 (30 June 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 30/06/2016	Preceding Year Quarter Ended 30/06/2015	Current Year To-Date 30/06/2016	Preceding Year To-Date 30/06/2015
Profit/(loss) attributable to owners of the parent (RM'000)	4,208	2,670	8,167	1,513
Total comprehensive income/(loss) attributable to owners of the parent (RM'000)	833	(3,821)	313	(8,203)
Weighted average number of shares - ('000)	61,083	61,083	61,083	61,083

Earnings per share from continuing operations attributable to owners of the parent (sen)	6.89	4.37	13.37	2.48
Loss per share from discontinued operations attributable to owners of the parent (sen)	(5.53)	(10.63)	(12.86)	(15.91)

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 August 2016.