FARM'S BEST BERHAD
(301653-V)

ANNUAL REPORT 2012

PASSION
FOR QUALITY AND DIVERSITY

COVER RATIONALE

Inspired by the theme, 'Passion For Quality And Diversity', the cover design celebrates our unswerving commitment to maintaining a high level of customer satisfaction. By using fresh and wholesome ingredients, we ensure that our products are of impeccable quality. And by offering an impressive product range, we are able to exceed our customers' expectations. Spurred by the extraordinary demand for our tasty and nutritious products, we will continue to grow from strength to strength.

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT

the Nineteenth Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Thursday, 27 June 2013 at 10.00 a.m. for the following purposes :-

A G E N D A

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of Directors' fees of RM108,000-00 for the financial year ended 31 December 2012. **Ordinary Resolution 2**

3. To re-elect the following Directors who retire by rotation in accordance with Article 105 of the Company's Articles of Association:-

   (a) Dato' Fong Kok Yong **Ordinary Resolution 3**

   (b) Mr Ng Cheu Kuan **Ordinary Resolution 4**

   (c) Datuk Hj. Zainal Bin Hj. Shamsudin **Ordinary Resolution 5**

4. To consider and, if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965 :-

   "THAT Tuan Haji Baharom Bin Abd Wahab, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

5. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration for the ensuing year. **Ordinary Resolution 7**

Notice of Annual General Meeting
(Cont'd)

AS SPECIAL BUSINESS :-

To consider and, if thought fit, to pass the following ordinary resolutions:

6. To re-appoint the following Independent Non-Executive Directors as per recommendation 3.3 set out in the Malaysian Code on Corporate Governance 2012 :

   (a) Tuan Haji Baharom Bin Abd Wahab **Ordinary Resolution 8 (Explanatory Notes A)**

   (b) En Mohd Khasan Bin Ahmad **Ordinary Resolution 9 (Explanatory Notes A)**

7. Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, from time to time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares on Bursa Malaysia Securities Berhad." **Ordinary Resolution 10 (Explanatory Notes B)**

8. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

CATHERINE MAH SUIK CHING (LS 01302)
LIEW SENG AUN (MIA 13109)
Company Secretaries

Melaka
Date: 5 June 2013

Notice of Annual General Meeting
(Cont'd)

Notes:-

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

(ii) Where a member appoints two (2) or more proxies, the appointment shall not be valid unless he (she) specifies the proportion of his (her) shareholdings to be represented by each proxy.

(iii) The Proxy Form shall be signed by the appointor or his (her) attorney duly authorized in writing or, if the member is a corporation, it must be executed under its common seal or by its authorized attorney or officers.

(iv) The instrument appointing a proxy shall be deposited at the office of the Company's Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

(v) For the purpose of determining a member who shall be entitled to attend and vote in the forthcoming Nineteenth Annual General Meeting, the Company shall be requesting the Record of Depositors in accordance with Article 71(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 June 2013. Only a depositor whose name appears on the Record of Depositors as at 20 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Notice of Annual General Meeting
(Cont'd)

Explanatory Notes A:

Ordinary Resolutions No. 8 and 9
To re-appoint Independent Non-Executive Directors

Under the Malaysian Code on Corporate Governance 2012 ["MCCG 2012"], the Board must undertake an assessment of its independent directors annually. In addition, the MCCG 2012 has recommended that the tenure of an independent director should not exceed a cumulative term of nine years. A shareholders' approval must be sought in the event that the Company intends to retain the independent directors who have served in that capacity for more than nine years.

Explanatory Notes B:

Ordinary Resolution No. 10
Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution 10 if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The purpose of this general mandate is for possible fund raising exercise but not limited to further placing of shares for purpose of funding investment(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting. This authorization will expire at the conclusion of the next Annual General Meeting of the Company.

This general mandate sought for the issue of securities is a new mandate which the Company wish to seek from its Shareholders at this Annual General Meeting.

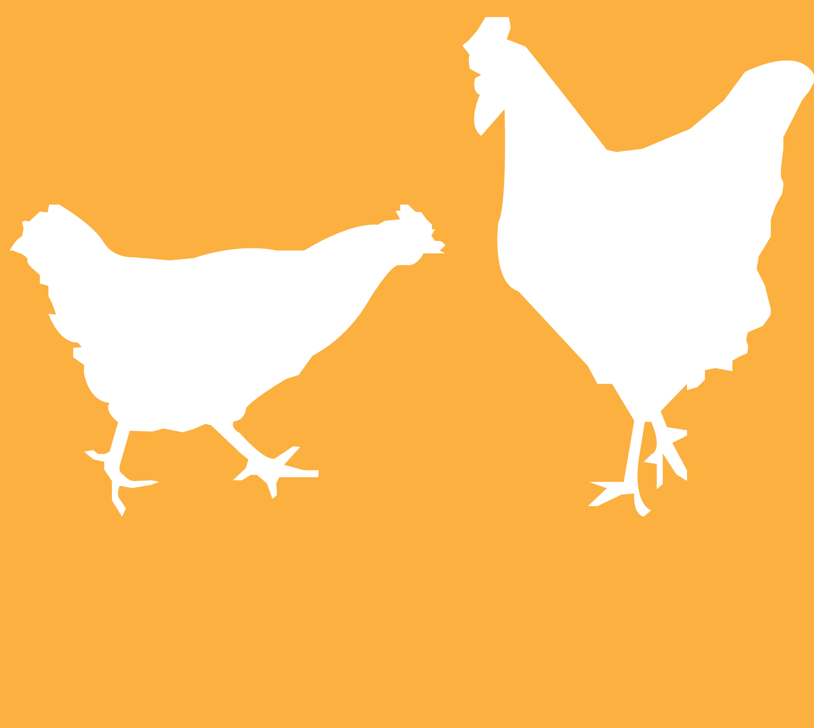
Corporate Structure

FARM'S BEST BERHAD
(301653-V)

- 100% Sinmah Livestocks Sdn Bhd
  - 58.91% Joint Farming Sdn Bhd
    - 60% Joint Food Proccessing Sdn Bhd
    - 30.77% Ban Yen Sdn Bhd
  - 100% Bersatu Segar Sdn Bhd
  - 100% Dee Huat Farming Trading Sdn Bhd
  - 100% Chem Ventures Sdn Bhd
  - 51% Syarikat Perniagaan Suann Sdn Bhd
    - 100% Suann Food Processors Sdn Bhd
- 99.99% Sinmah Multifeed Sdn Bhd
  - 100% Premier Broilers Sdn Bhd
- 100% Sinmah Egg Products Sdn Bhd
  - 100% Sinmah Poultry Farm Sdn Bhd
- 100% Farm's Best Food Industries Sdn Bhd
  - 100% SM Broilers Sdn Bhd
    - 50% Farm's Best Eggmart Sdn Bhd
- 100% Sinmah Development Sdn Bhd
  - 100% Realtemas Realty Sdn Bhd
  - 100% Sinmah Builders Sdn Bhd
  - 100% Cosmal Enterprise Sdn Bhd
- 100% Sinmah Breeders Sdn Bhd
- 100% Sinmah Ventures Sdn Bhd
  - 100% FB Food (Nanjing) Pte Ltd
  - 51% Chix Unlimited Inc.
  - 50% SM Enterprise (Nanjing) Pte Ltd
- 100% Lynbridge Sdn Bhd
  - 49.90% SMNS Rubber Holdings Sdn Bhd
    - 100% Smallholdings Management Sdn Bhd

50%

OUR CHICKENS ARE PROVIDED WITH FEED FROM OUR OWN ISO-CERTIFIED FEEDMILL



Corporate Information

BOARD OF DIRECTORS

Datuk Hj. Zainal Bin Hj. Shamsudin
Chairman,
Independent Non-Executive Director

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

Fong Ngan Teng
Executive Director

Fong Choon Kai
Executive Director

Ng Cheu Kuan
Executive Director

Datuk Ng Peng Hay @ Ng Peng Hong
Executive Director

Tuan Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

AUDIT COMMITTEE & NOMINATION COMMITTEE

Datuk Hj. Zainal Bin Hj. Shamsudin
Chairman, Independent
Non-Executive Director

Tuan Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

REMUNERATION COMMITTEE

Mohd Khasan Bin Ahmad
Chairman, Independent
Non-Executive Director

Datuk Hj. Zainal Bin Hj. Shamsudin
Independent Non-Executive Director

Tuan Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

AG 5730
Alor Gajah Industrial Estate
78000 Alor Gajah, Melaka
Tel : 06-556 1293
Fax : 06-556 2445

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-7841 8000
Fax : 03-7841 8151/52

COMPANY SECRETARIES

Catherine Mah Suik Ching *(LS 01302)*

Liew Seng Aun *(MIA 13109)*

AUDITORS

Ernst & Young
Chartered Accountants
Lot 16 -1, Jaya 99 Tower B
99 Jalan Tun Sri Lanang
75100 Melaka
Tel : 06-288 2399
Fax : 06-283 2899

PRINCIPAL BANKERS

Bank Kerjasama Rakyat
Malaysia Berhad
AGROBANK (Bank Pertanian
Malaysia Berhad)
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : FARMBES
Stock Code : 9776
Sector : Consumer Products

DIRECTORS' PROFILE

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN

Chairman,
Independent Non-Executive Director &
Chairman of Audit Committee
66 years of age – Malaysian

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin was appointed to the Board of Farm's Best Berhad ("Farm's Best") as Chairman of Farm's Best on 8 August 2006. He is also the Chairman of the Audit and Nomination Committees and member of the Remuneration Committee of Farm's Best.

Y. Bhg. Datuk Hj. Zainal holds a Diploma in Police Science and he has served in the Royal Malaysian Police Force since June 1965 until his retirement in June 2003. Y. Bhg. Datuk Hj. Zainal began his career in the Royal Malaysian Police Force as an Investigation Officer and has climbed the rank of SAC(I) holding the post of Deputy Director (II) of the Malaysian Special Branch when he retired. He also sits on the boards of several private limited companies.

In recognition of his continuous efforts and dedication to the Malaysian Police Force, Y. Bhg. Datuk Hj. Zainal was conferred the Panglima Gemilang Darjah Kinabalu (P.G.D.K.) by His Excellency, the Governor of Sabah in September 2000.

Subsequently, in July 2008, in recognition of his many past contributions to the Malaysian Police Force, Y. Bhg. Datuk Hj. Zainal was conferred the Jaksa Pendamai (J.P) by HRH Yang Di-Pertuan Besar Negeri Sembilan.

As at the date of this annual report, Y. Bhg. Datuk Hj. Zainal does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

Directors' Profile
(Cont'd)

Y. BHG. DATO' FONG KOK YONG

Managing Director
62 years of age – Malaysian

Y. Bhg. Dato' Fong Kok Yong was appointed to the Board of Farm's Best on 10 February 1995 and is currently the Managing Director of Farm's Best. He is also member of the Remuneration Committee of Farm's Best.

Y. Bhg. Dato' Fong Kok Yong graduated from the University of Singapore in 1975 with a Bachelor of Business Administration degree. He joined Sinmah Multifeed Sdn Bhd, a wholly owned subsidiary of Farm's Best on 18 October 1976 as a Director. He presently oversees the Group's operations.

Y. Bhg. Dato' Fong Kok Yong is currently,

(i) Advisor to the Federation of Livestock Farmers' Associations of Malaysia (since 1995)
(ii) Member, Malaysian Institute of Management (since 1990)
(iii) Member, Agricultural Institute of Malaysia (since 1985)
(iv) Member, Pemandu Food Security Lab (since 2012)

He had also served in the various positions/bodies during the past years:-

(i) Secretary General, Federation of Livestock Farmers' Associations of Malaysia (1986 – 1991)
(ii) President, Federation of Livestock Farmers' Associations of Malaysia (1991 – 1995)
(iii) President, Federation of Asean Poultry Producers (March 2003 – March 2005)
(iv) Director, Selangor Chinese Chamber of Commerce and Industry (1991 – 1995)
(v) Director, Malacca Chinese Chamber of Commerce and Industry (1995 to 2000)

In October 2008, in recognition of his continuous efforts, dedication and contribution to the livestock industry in Malaysia, Y. Bhg. Dato' Fong Kok Yong was conferred the Darjah Indera Mahkota Pahang (D.I.M.P.) by HRH, the Sultan of Pahang.

As at the date of this annual report, Y. Bhg. Dato' Fong Kok Yong has an indirect interest of 20,908,505 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

Directors' Profile
(Cont'd)

Y. Bhg. Datuk Fong Kiah Yeow was appointed to the Board of Farm's Best on 10 February 1995. He is also a member of the Remuneration Committee of Farm's Best.

Y. Bhg. Datuk Fong Kiah Yeow completed an accountancy course in 1975 from the Tottenham College of Technology, United Kingdom. He was also an associate member of the Chartered Association of Certified Accountants, United Kingdom. Immediately, upon completion of his studies, Y. Bhg. Datuk Fong Kiah Yeow joined his family business and was responsible for his family's rice wholesale business. He was later appointed to the Board of Sinmah Multifeed Sdn Bhd on 31 January 1980. He is presently responsible for the Group's corporate affairs and financial matters. He also sits on the board of several private limited companies.

In October 2008, in recognition of his efforts and dedication, Y. Bhg. Datuk Fong Kiah Yeow was conferred the Darjah Mulia Seri Melaka (D.M.S.M.) by His Excellency, the Governor of Melaka.

As at the date of this annual report, Y. Bhg. Datuk Fong Kiah Yeow has a direct interest of 108,000 shares and an indirect interest of 20,908,505 shares in Farm's Best. He has attended four (4) of the five (5) board meetings held during the financial year ended 31 December 2012.

Fong Ngan Teng was appointed to the Board of Farm's Best on 10 February 1995. He graduated in 1982 with a Bachelor of Arts (Honours) degree from The City of London Polytechnic in United Kingdom. He joined Sinmah Multifeed Sdn Bhd upon his graduation and was appointed as a Director of Sinmah Multifeed Sdn Bhd on 1 March 1983. He is currently the Group's Marketing Director and is also responsible for the breeding, hatchery and contract farming of the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Ngan Teng has an indirect interest of 20,908,505 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

Y. BHG. DATUK FONG KIAH YEOW

Executive Director
58 years of age – Malaysian

FONG NGAN TENG

Executive Director
55 years of age – Malaysian

Directors' Profile
(Cont'd)

FONG CHOON KAI

Executive Director
51 years of age – Malaysian

TUAN HAJI BAHAROM BIN ABD. WAHAB

Independent Non-Executive Director
78 years of age – Malaysian

Fong Choon Kai was appointed to the Board of Farm's Best on 10 February 1995. He graduated in 1985 with a Bachelor of Actuarial Science (Honours) degree from London School of Economics, United Kingdom and later in 1987, with a Masters degree in Systems Analysis and Design from The City University, United Kingdom. Thereafter, he was attached to a public chartered accounting firm, Lewis, Berman & Partners in United Kingdom for 2 years. Prior to his appointment to the Board of Sinmah Multifeed Sdn Bhd on 15 January 1992, he was engaged in a construction and property development company, Hanover Construction Ltd, as well as in export and import business of Hanover Trading Ltd, United Kingdom for 2 years. Fong Choon Kai is currently responsible for all administrative matters in the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Choon Kai has an indirect interest of 20,908,505 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

Tuan Haji Baharom Bin Abd. Wahab was appointed to the Board of Farm's Best on 14 June 1999. He is also a member of the Audit, Nomination and Remuneration Committees of Farm's Best.

Haji Baharom started his teaching career since 1955 and was in the teaching profession for more than 35 years. He was later promoted to the position of headmaster in 1976 and held this position until his optional retirement in 1990. He attended courses for "Modern Administration and Management for Headmasters" in University Sains Malaysia, Penang, in 1976 and "Management and Leadership in Education" in University Malaya, Kuala Lumpur in 1982. Haji Baharom has been very active in both political and community work since his early days. Haji Baharom was actively involved in the co-operative and was appointed director for Koperasi Guru-Guru Melayu Melaka from 1986 to 1991. In recognition of his contribution to the society, Haji Baharom was conferred the P.J.K. (Pingat Jasa Kebaktian) in 1985 and B.K.T. (Bintang Kelakuan Terpuji) in 2009 by His Excellency, the Govenor of Melaka. Since his retirement in 1990, Haji Baharom was appointed and sits on the Board of several private limited companies.

As at the date of this annual report, Haji Baharom holds 4,500 shares in Farm's Best. He has attended four (4) of the five (5) board meetings held during the financial year ended 31 December 2012.

Directors' Profile
(Cont'd)

Mohd Khasan Bin Ahmad was appointed to the Board of Farm's Best on 10 January 2002. He is the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of Farm's Best.

Mohd Khasan obtained a diploma in Accountancy and later graduated with a degree in Accountancy from University Teknologi Mara. He is a member of the Malaysian Institute of Accountants ("MIA"). He served Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the Capital Issues Committee ("CIC") as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He joined the private sector in 1997 and held various senior management positions. Mohd Khasan also sits on the Board of Ta Win Holdings Berhad, Crest Builder Holdings Berhad and Homeritz Corporation Berhad as an Independent Non-Executive Director.

As at the date of this annual report, Mohd Khasan does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

Ng Cheu Kuan was appointed to the Board of Farm's Best on 10 February 1995 and is in charge of the Group's property development operations. He graduated with a degree in Civil Engineering (Honours) from the University of Southampton, United Kingdom in July 1977. He is a Professional Engineer registered with the Board of Engineers, Malaysia and was conferred a Fellow of the Institution of Engineers, Malaysia in 1990, making him one of the youngest Fellow of the Institution then. He was also the Chairman of the Institution of Engineers, Malacca Branch from 1988 to 1990. Upon his graduation in 1977, he joined Dewan Bandaraya, Kuala Lumpur as a project engineer and in 1980 he became design engineer in Angkasa Gutteridge Haskins & Davey Consulting Engineers, Kuala Lumpur, which provides professional engineering services to clients from the private and public sectors. In 1982, he joined Bolton Properties Berhad as a project manager before becoming the project manager and later senior manager of Supreme Corporation Berhad (now known as Lion Land Berhad) for 10 years. Between 1992 and May 1994, he worked in Lion Land Berhad. He then started his own property development and construction businesses. He is also a director of several private limited companies.

As at the date of this annual report, Ng Cheu Kuan does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2012.

MOHD KHASAN BIN AHMAD

Senior Independent
Non-Executive Director
52 years of age – Malaysian

NG CHEU KUAN

Executive Director
58 years of age – Malaysian

Directors' Profile
(Cont'd)

Y. BHG. DATUK NG PENG HAY @ NG PENG HONG

Executive Director
61 years of age – Malaysian

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong was appointed to the Board of Farm's Best on 10 February 1995.

Y. Bhg. Datuk Ng Peng Hay was the State Assemblyman for Tengkera Constituency of Barisan Nasional between 1982 and 1986. He then served as a Senator in the Malaysian Parliament from 1987 to 1993. His first involvement in social activities was upon completing his secondary education. He has been appointed as the Investment Co-ordinator by the Melaka State Development Corporation to handle direct investments in the State of Melaka since 1988. Together with his teams of officials and his excellent public relations, he has helped in attracting numerous Taiwanese, Singaporean and Chinese investors into the State of Melaka.

In recognition of his efforts and dedication, Y. Bhg. Datuk Ng Peng Hay was conferred the Darjah Mulia Seri Melaka (D.M.S.M.) by His Excellency, the Governor of Melaka in 1992. On 17 July 1999, the Taiwanese Government awarded him the Economics Medal.

Y. Bhg. Datuk Ng Peng Hay is also the Chairman of MCA, 7th Branch Melaka since 1982. Presently he is the Chairman of Koperasi Jayadiri Malaysia Berhad, a Board Member of Malaysian Investment Development Authority (MIDA), a Director of Invest Melaka Berhad and also a Director of The Tun Hussein Onn National Eye Hospital.

Y. Bhg. Datuk Ng Peng Hay is also the Independent Non-Executive Director of Bonia Corporation (M) Berhad since 1994, Komarkcorp Berhad since 1997, Ta Win Holdings Berhad since 2000, Icapital.Biz Berhad since 2010. In addition, he is also the Chairman of Wellcall Holdings Berhad since 2006.

As at the date of this annual report, Y. Bhg. Datuk Ng Peng Hay does not have any interest in Farm's Best. He has attended four (4) of the five (5) board meetings held during the financial year ended 31 December 2012.

Additional Information

(i) **Conflict of interest**

None of the Directors have any conflict of interest with the Company.

(ii) **Family Relationship with any Director and / or Major Shareholder**

None of the Directors have family relationship with any Director and / or major shareholder of the company except for Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai who are brothers.

(iii) **Conviction for offences (within the past 10 years, other than traffic offences)**

None of the Directors have been convicted for offences.

OUR SUPPLY CHAIN CONSISTS OF QUALITY MANUFACTURING AND PRODUCTION PROCESSES

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS AND STAKEHOLDERS,

On behalf of my fellow Board members, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2012.

FINANCIAL REVIEW

The Group posted a revenue of RM400.5 million for the year ended 31 December 2012, a marginal decrease of RM7.3 million or 1.8% as compared to the previous year's revenue of RM407.8 million. The decrease in revenue was due to decreases in average selling prices of live broilers and table eggs during the year under review.

Although sales revenue decrease was marginal, the Group recorded a net loss attributable to owners of the parent of RM9.5 million as opposed to a net profit attributable to owners of the parent of RM9.6 million in the previous financial year ended 31 December 2011. Hence, the Group's earnings per share decreased to -17.2 sen from 17.4 sen in 2011, a decrease of 34.6 sen.

Overall, the Group's adverse results during the current year under review was due to decreases in average selling prices of live broilers and table eggs coupled with the increase in prices of imported raw feedstuffs during the financial year under review. Furthermore, the Group made an allowance for impairment of goodwill of RM4.1 million mainly due to losses made by its poultry division during the year under review.

CORPORATE DEVELOPMENTS

On 3 April 2013 and 4 April 2013, the Company had announced a proposed private placement of shares with warrants as follows:

Up to 5,553,000 Ordinary shares of RM1.00 each in the Company, representing approximately 10% of the issued and paid up share capital of the Company ("Placement Shares") together with up to 22,212,000 free detachable warrants ("Placement Warrants") on the basis of four (4) Placement Warrants for every one (1) Placement Shares subscribed.

On 25 April 2013, the Company made an announcement to revise the above proposal as follows:

(i) A proposed issue of 11,106,000 free warrants ("Free Warrants") on the basis of one (1) free warrant for every five (5) existing ordinary shares of RM1.00 each in the Company ("Shares") held at an entitlement date to be determined later ("Proposed Free Warrants Issue"); and

(ii) A revised proposed private placement of up to 5,553,000 Shares ("Placement Shares"), representing approximately ten percent (10%) of the issued and paid up share capital of the Company together with up to 16,659,000 free detachable warrants ("Placement Warrants") for every one (1) Placement Shares subscribed ("Proposed Private Placement of Shares with Warrants").

The Proposed Free Warrants Issue shall:

(i) aim to reward our existing shareholders for their continuing support by enabling them to participate in convertible securities of the Company which are tradable on Bursa Securities without incurring any cost;

(ii) potentially provide funds for the Group to finance its working capital and/or repayment of borrowing (if any), as and when the Free Warrants are exercised without incurring interest cost, as compared to bank borrowings;

(iii) to provide our existing shareholders with an opportunity to increase their equity in the Company at a predetermined price during the tenure of the Free Warrants; and

(iv) allow our existing shareholders to further participate in the future prospects and growth of the Group and/or any potential capital appreciation in the Warrants and Shares of the Company, as and when the Free warrants are exercised.

Chairman's Statement
(Cont'd)

GOING FORWARD

The Group hopes that the depressed prices experienced in 2012 is over as selling prices of live broilers and table eggs has recovered during the first quarter of the financial year ending 31 December 2013. The Group believes that this recovery will continue into the subsequent quarters of financial year ending 31 December 2013.

In the meantime, the Group will continue with its ongoing efforts on cost cutting measures in order to remain competitive during the coming financial year ending 31 December 2013.

Hence, it is hoped that the Group would be able to produce a better set of financial results for the coming financial year ending 31 December 2013.

ACKNOWLEDGEMENT

The Group gratefully acknowledges the support and guidance received from the State Government of Melaka, Department of Veterinary Services, the Agriculture Ministry, MITI, MIDA, Immigration Department and other ministries and agencies. Our appreciation is also extended to our business partners, consultants, customers, suppliers and financiers.

I also wish to extend my most heartfelt appreciation to my fellow Board members for their support, contribution and dedication in discharging their duties and responsibilities. We also recognize that our dedicated workforce remains the backbone of the Group and they have helped build a good reputation that the Group currently enjoys. On behalf of the Board, I wish to express our utmost appreciation to them.

Lastly, I wish to thank you, our shareholders, for your unwavering support and we look forward to your continuing vote of confidence. Thank you.

With best wishes,

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN
CHAIRMAN

Management Discussion and Analysis

The financial year under review was a very challenging one for the Group resulting in a turnaround in the results of the Group as compared to the previous financial year ended 31 December 2011. In 2012, the Group encountered escalating prices of imported raw materials such as corn and soybean meal which resulted in a higher cost of production throughout all four quarters of the financial year under review as compared to the corresponding quarters in 2011. Besides that, selling prices of live broilers and table eggs were lower throughout all four quarters of the financial year under review as compared to the corresponding quarters in 2011. Our housing development division also showed adverse results in the financial year under review compared to the previous financial year ended 31 December 2011.

The performances of the key operative divisions within the Group are discussed below.

Integrated Poultry Division

During the financial year ended 31 December 2012, the integrated poultry operations of the Group made a profit before tax of about RM4.86 million as compared to a profit before tax of RM24.88 million during the previous financial year. The decrease in profit before tax was mainly due to decrease in average selling price of broilers coupled with an increase in production cost for all the four quarters in the financial year under review as compared to the corresponding quarters in the financial year ended 31 December 2011. The increase in production costs was mainly due to escalating costs of imported raw materials such as corn and soybean meal.

Egg Layer Division

The Group's egg layer division showed a higher operating loss of about RM5.96 million during the current year under review as compared to an operating loss of about RM2.80 million during the previous financial year. The higher loss was mainly due to a lower average selling price of table eggs for the all four quarters of the financial year under review as compared to the corresponding quarters in the previous financial year ended 31 December 2011. Furthermore, feed cost had increased because of the increase in costs of imported raw feedstuffs, resulting in the egg's production cost during the financial year under review being higher than that during the previous financial year ended 31 December 2011.

Overall, both divisions of the Group's poultry operations turned in a combined loss before tax of RM1.10 million during the financial year under review as opposed to a profit before tax of RM22.08 million during the previous financial year.

Housing Development Division

During the financial year under review, the housing development division showed a profit before tax of RM1.28 million as compared to a profit before tax of RM4.11 million during the previous financial year. Turnover from the housing development division increased to RM16.72 million during the financial year under review as compared to RM15.72 million during the previous financial year. The increase in revenue was mainly due to more houses were completed and sold in the financial year under review compared to the previous financial year.

Despite an increase in revenue, the adverse results of the housing development division during the year under review compared with the financial year ended 31 December 2011 was mainly due to increase in cost of building materials such as bricks, cement, timber and steel during the financial year under review.

Moving Forward Together

2012 was a tough year not only on the Group but the industry as a whole. We have to regroup as a team to work harder in order to increase the efficiency of our work force. In addition, we also need to continue with our cost cutting strategies. We must strive to continuously develop and practice a culture of excellence in order to meet the expectations of our stakeholders. With these in mind, we hope that 2013 will be a better year for us and the industry as a whole.

Corporate Social Responsibility

INTRODUCTION

Consistent with Bursa Malaysia Securities Berhad's Corporate Social Responsibility framework, Farm's Best Berhad's Corporate Social Responsibility activities focus on caring to the Environment, Workplace, Community and Marketplace.

Our policies/activities in these are as follow:-

Environment

The Group is aware of its responsibility to protect the environment in which it operates in. As such, the Group continually maintains its waste management system effectively to ensure that the discharged water from the Group's processing plant complies with the requirements of the Environmental Quality Act, 1974.

To demonstrate the Group's commitment towards protection of the environment, the Group has achieved a better standard of environmental protection than what was required by the said Act. The discharged water from the Group's processing plant complies with Standard A of the said Act, thus exceeding the Standard B requirement of the said Act.

For preservation of air quality, the Group's feedmill plant is required to periodically monitor its dust collector emission and chimney gas emission to ensure that the emissions are within the limits required by the Environmental Quality Act ("EQA") and the Department of Environment ("DOE").

During the year, the Group's feedmill plant engaged a qualified environmental engineering firm to conduct two (2) air emission/quality monitoring jobs. The Group is pleased to report that the 2 reports showed that all parameters sampled and tested complied with EQA/DOE limits.

Workplace

The Group is concerned about the occupational safety of its employees. Hence, the Group strives to comply with all Department of Safety and Health Malaysia ("DOSH") standards on health and safety.

As part of our responsibility of safeguarding the health of our employees, we provide free anti-typhoid vaccination to employees of the food processing sector of the Group. This is done on a rotational basis to ensure that each employee in this sector receives the anti-typhoid vaccination once every 3 years. During the year ended 31 December 2012, 32 workers at the Group's processing plant in Masjid Tanah, Melaka had undergone typhoid vaccine immunization at the processing plant's clinic to ensure that the workers health were taken care of in order to satisfy the requirements of the Health Ministry.

The Group's processing plant in Masjid Tanah, Melaka also holds fire safety training from time to time to train its workers and employees in putting out fires should there be any incidences. There were no trainings in 2012. However, one was conducted in March 2013.

Besides that, the Group also continuously conducts staff trainings such as "5S" (Housekeeping Programme), "Halal" and "Food Safety" in its effort to produce a competent workforce.

Corporate Social Responsibility
(Cont'd)

The Group also sends selected staff to attend seminars and workshops to update their knowledge in their respective fields.

The Group also encourages its workers to participate in sporting activities to enhance their health and wellbeing. During the year, the Group sent representatives from its processing plant to participate in the Director of Department of Environment, Melaka's Bowling Championship Challenge Trophy, in conjunction with the Malaysian Environmental Week 2012.

In order to foster harmony amongst the various ethnics of workers, the Group's processing plant held the Sri Sada Muniswarar Temple Annual Festival. During this festival, the Hindu workers prayed that all workers irrespective of religion received spiritual protection and blessings.

Community

As part of the Group's corporate social responsibility towards the community, the Group has made cash donations to temples and schools in Melaka. Apart from cash donations, we have also made donations in the form of poultry products to schools in Melaka for school activities such as sports day, student seminars and schools' fund raising activities.

The Group also donated poultry products comprising of processed chicken for "Program Dermabakti Y. B. Menteri Pertanian dan Industri Asas Tani bagi Masyarakat Miskin di Tanjung Karang" in conjunction with the Chinese New Year 2012 celebrations.

We also carried out blood donation campaigns amongst our employees in May and November 2012 as part of the Group's contribution towards the Malaysian Blood Bank. A total of 64 workers participated in the 2 campaigns.

As part of the Group's commitment in sharing its knowledge on poultry food processing with students from schools and institutes of higher learning in Malaysia, the Group accommodates study tours from various schools and institutes of higher learning. During the year 2012, students from Universiti Teknikal Malaysia Melaka, Institut Teknologi Unggas, Institut Pengurusan Veterinar, Sekolah Menengah Kebangsaan Klebang Besar, Universiti Kuala Lumpur (Alor Gajah), Sekolah Menengah Kebangsaan Gajah Berang, Sekolah Menengah Kebangsaan Methodist, Universiti Teknologi Mara Melaka, Universiti Sultan Zainal Abidin (Terengganu) and UNITAR International University had their study tours at the Group's processing plant.

In addition to the above, in May 2012, the Group's Managing Director presented a speech on "Scenario of Poultry Industry in Malaysia" for The Institut Pengurusan Veterinar's training program called "Advanced Poultry Technical Training Program" to the participants from the Sultanate of Oman. This training program was conducted by Institut Pengurusan Veterinar with the cooperation of the Oman Government.

Market Place

As we consider Corporate Social Responsibility part of corporate governance, we are fully supportive of local suppliers. We treasure our relationships with our key customers and regularly conduct satisfaction surveys as part of our efforts to improve products and services.

OUR ISO-CERTIFIED FOOD PROCESSING PLANT CREATES EXCEPTIONAL QUALITY PRODUCTS

Statement on Corporate Governance

The Board of Farm's Best Berhad (the "Company") recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

Pursuant to Paragraph 15.25 of the Listing requirements of Bursa Malaysia Securities Berhad, this Statement on Corporate Governance (the "Statement") sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance ("MCCG 2012) and observed the 26 Recommendations supporting the Principles during the financial year under review, following the release of the MCCG 2012 by the Securities Commission in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof, is mentioned in this Statement.

Principle 1 – Establish clear Roles and Responsibilities of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to Senior Management positions are of sufficient calibre, including the orderly succession of Senior Management personnel;
- overseeing the development and implementation of a shareholder communications policy, including an investor relations programme for the Company; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

Whilst Directors and Management of the Company are aware of their respective roles and responsibilities, including the limits of authority accorded, the Board recognizes the need to formalize such demarcation of duties to provide clarity and guidance to Directors and Management. Subsequent to the financial year, the Board appointed an independent firm of consultants to assist in developing a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management. The Board Charter, which serves as a referencing point for Board's activities to enable Directors carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company are in its hands. Upon adoption by the Board, the Charter will be made publicly available on the Company's website at http://www.farmsbest.com.my in line with Recommendation 1.7 of the MCCG 2012.

Statement on Corporate Governance
(Cont'd)

Code of Conduct and Whistle-Blower Policy

The Board has developed a Code of Conduct for employees of the Group. However a similar Code has yet to be established for the Board during the financial year under review. The Board recognizes the importance of formalizing such a Code for Directors, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior across the Group. As such, the Board will appoint an independent firm of consultants to assist in developing such a Code, including pertinent whistle-blower procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of conduct involving employee, Management or Director in the Group. The Board also recognizes the importance of adherence to the Code by all personnel in the Group and will take measures to put in place a process to ensure its compliance, including steps to upload a summary of the Code of Conduct on the Company's website once the Code has been developed and approved by the Board for adoption.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. Accordingly, the Board will take steps to formalize the Company's sustainability policy and embed the environment, social and governance elements in its corporate strategy. The Group's activities on corporate social responsibilities for the financial year under review are disclosed on page 20 of this Annual Report.

Supply of, and Access to, Information

All Directors are provided with an agenda and the relevant Board papers prior to every Board meeting to ensure that the Directors are fully apprised on matters or key issues affecting the Group as well as to enable Directors to make well-informed decisions on matters arising at the Board meetings. The Company Secretary records all the deliberations, including pertinent issues, the substance of inquiries and responses, Board members' suggestions and the decision made in the minutes of meeting. The minutes of every Board meeting are also circulated to Directors for their perusal prior to confirmation of the same at the following Board meeting.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. Directors have access to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. This procedure will be formalized for inclusion in the Company's Board Charter

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committees meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Principle 2 □Strengthen Composition of the Board

During the financial year under review, the Board consisted of nine (9) members, comprising six (6) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience in relevant fields such as poultry farming, business administration, planning, corporate finance, development and marketing. The profile of each Director is set out on pages 9 to 14 of this Annual Report.

Nomination Committee – Selection and Assessment of Directors

A Nomination Committee, which was established on 28 March 2002 with specific terms of reference accorded by the Board, comprises exclusively Independent Non-Executive Directors as follows:

1. Datuk Hj. Zainal Bin Hj. Shamsudin - Chairman (Independent Non-Executive Director)
2. Tuan Haji Baharom Bin Abd. Wahab - Member (Independent Non-Executive Director)
3. Mohd Khasan Bin Ahmad - Member (Senior Independent Non-Executive Director)

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

During the financial year, the Nomination Committee met once, attended by all members, to assess the Board members' effectiveness. All assessments and evaluations carried out by the Nomination Committee are properly documented. Insofar as board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates for filling of casual vacancy, re-election or re-appointment is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be. The Board recognizes the important in having a board diversity policy, including the evaluation criteria, and will take steps to formalize such a policy going forward.

Directors' Remuneration

A Remuneration Committee was established by the Board on 28 March 2002, comprising a majority of Independent Non-Executive Directors as follows:

1. Mohd Khasan Bin Ahmad - Chairman (Senior Independent Non-Executive Director)
2. Datuk Hj. Zainal Bin Hj. Shamsudin - Member (Independent Non-Executive Director)
3. Tuan Haji Baharom Bin Abd. Wahab - Member (Independent Non-Executive Director)
4. Dato' Fong Kok Yong - Member (Managing Director)
5. Datuk Fong Kiah Yeow - Member (Executive Director)

Statement on Corporate Governance
(Cont'd)

The Remuneration Committee has been entrusted by the Board with specific terms of reference to review and recommend to the Board an appropriate remuneration framework for Executive Directors, including recommendations to the Board on all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors, sufficient enough to attract and retain Directors of quality required to manage the business of the Group. The remuneration package of Non-Executive Directors is also assessed by the Remuneration Committee and recommended to the Board thereafter.

In the case of Executive Directors, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. The determination of each Director's remuneration is a matter for the Board, as a whole. Directors do not participate in decision regarding their own remuneration package.

During the financial year under review, the Committee met twice attended by all members. Details of the aggregate remuneration of Directors for the financial year ended 31 December 2012 are as follows:

	Executive Directors RM'000	**Non-Executive Directors RM'000**	**Total RM'000**
<u>Total remuneration</u>			
Fees	-	108	108
Salaries & other emoluments	2,835	-	2,835
Pension costs - defined contribution plan	338	-	338
	3,173	108	3,281

The number of Directors whose remuneration falls with total annual emoluments within the following bands is as follows:

	Executive Directors	**Non-Executive Directors**	**Total**
Below RM50,000	-	3	3
RM200,001 to RM250,000	2	-	2
RM650,001 to RM700,000	4	-	4

Principle 3 Reinforce Independence of the Board

Directors' Independence

There is a clear division of responsibilities between the Independent Non-Executive Chairman and the Managing Director to embed accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The Managing Director, supported by his fellow Executive Directors, implements the Group's strategic plan, policies and decisions adopted by the Board; and oversees the operations and business development of the Group.

The Board recognises the importance of independence and objectivity in the decision making process. Executive Directors are responsible for the management of day-to-day business operations in the respective business units of the Group as well as the implementation of policies and decisions approved by the Board, whilst the Board sets the strategic direction for the Group.

Statement on Corporate Governance
(Cont'd)

The presence of Independent Non-Executive Directors ensures that issues of strategies, performance and resources proposed by Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, suppliers and other communities in which the Group conducts its business. The Independent Non-Executive Directors also ensure that the investment of minority shareholders is fairly reflected through Board representation.

The Company recognises the contribution of the Independent Non-Executive Directors as equal Board members to the development of the Company's strategy, the importance of representing the interests of public shareholders and providing a balanced and independent view to the Board. All Independent Non-Executive Directors are independent of Management and free from any relationship which could interfere with their independent judgment. They contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Encik Mohd Khasan Bin Ahmad has been identified by the Board as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by fellow Directors, shareholders and other stakeholders.

En. Mohd Khasan Bin Ahmad and Tuan Haji Baharom bin Abdul Wahad have served the Board as Independent Non-Executive Directors beyond the 9-year tenure limit promulgated by the MCCG 2012. Nonetheless, the Board has, after conducting an assessment of these 2 Directors' performance as Independent Directors, recommended them for shareholders' approval to continue to act as Independent Non-Executive Directors for the ensuing year based on the following justifications:

a. They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, are able to function as a check and balance, bringing an element of objectivity to the Board;
b. They exercise independent judgment and have the ability to act in the best interest of the Company;
c. They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
d. They have continued to exercise their independence and due care during their tenure as Independent Non-Executive Directors and carried out their professional duties in the best interests of the Company and shareholders.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. Although the definition on independence according to the Listing requirements of Bursa Malaysia Securities is used, the Board will take pertinent measures to formalize such independence criteria to, inter-alia, include the nine (9)-year tenure for Independent Non-Executive Directors in its Board Charter. Procedures on the extension for Independent Non-Executive Directors to serve beyond the nine (9)-year limit will also be formalized in line with the Recommendation of the MCCG 2012.

Principle 4 – Foster commitment of Directors

The Board meets at least four (4) times a year and additional meetings are held as and when necessary. Board Meetings are scheduled in advance at the end of the previous financial year prior to commencement of the new financial year to enable Directors to plan ahead and fit the year's meetings into their own schedules.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are obtained via circular resolutions which are supported with information necessary for an informed decision.

Statement on Corporate Governance
(Cont'd)

During the financial year ended 31 December 2012, five (5) Board meetings were held. Details of the attendance are as follows:

Directors	**Description**	**No. of Board Meetings Attended**	**Percentage (%)**
Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	100%
Dato' Fong Kok Yong	Managing Director	5/5	100%
Datuk Fong Kiah Yeow	Executive Director	4/5	80%
Fong Ngan Teng	Executive Director	5/5	100%
Fong Choon Kai	Executive Director	5/5	100%
Ng Cheu Kuan	Executive Director	5/5	100%
Datuk Ng Peng Hay @ Ng Peng Hong	Executive Director	4/5	80%
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director	4/5	80%
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	100%

The Chairman of the Board chairs the Board Meetings while the Managing Director of the Company leads the presentation and provides explanation on the Board papers and reports. Senior management staff may be invited to attend the Board and Board Committee Meetings to advise and provide the Board and Board Committee members with the presentations, detailed explanation and clarification on relevant agenda items that have been tabled to the Board to enable them to arrive at a considered decision.

At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of each Board Committee informs the Directors at each Board meetings of any salient matters noted during the respective Committees' meetings which require the Board's notice or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. In addition, the Board recognizes the need to formalize a policy in its Board Charter, requiring Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements of Bursa allow a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

Statement on Corporate Governance
(Cont'd)

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board members. This is supplemented by visits to key locations and meetings with other key senior executives. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

All Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd within the stipulated timeframe required in the Listing Requirements. On 26 November 2012, all the Directors of the Company attended a briefing on The Malaysian Code of Corporate Governance 2012, conducted by KPMG Management & Risk Consulting Sdn. Bhd.

The Board acknowledges that continuous training is important to enable the Directors to effectively discharge their duties. The Board will on a continuous basis, evaluate and determine the training needs of its Directors. During the year under review, the following directors also attended the training as mentioned below:-

(a) Datuk Hj. Zainal Bin Hj. Shamsudin

- i Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012 on 18 June 2012

(b) Mohd Khasan Bin Ahmad

- i Independent Directors, Audit and Risk Committee on 12 September 2012;
- ii Transfer Pricing Developments in Malaysia on 1 Nov 2012; and
- iii Corporate Integrity System Malaysia; CEO Dialogue Session on 29 November 2012

(c) Tuan Haji Baharom Bin Abd. Wahab

- i Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012 on 18 June 2012

(d) Ng Cheu Kuan

- i "Kursus Induksi Keselamatan dan Kesihatan Untuk Pekerja Binaan" on 18 February 2012

The Company Secretaries normally circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates, where applicable. The External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements for the financial year under review.

Principle 5 Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

Statement on Corporate Governance
(Cont'd)

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2012, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Datuk Hj. Zainal Bin Hj. Shamsudin as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on pages 36 to 40 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965, as the case may be. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, will adopt a policy on the types of non-audit services permitted to be provided by the external auditors, including the need for the Audit Committee's approval in writing before such services are provided by the external auditors. To address the "self review" threat faced by the external audit firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the external audit team.

In assessing the independence of external auditors, the Audit Committee requires assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Principle 6 – Recognise and manage risks of the Group

Recognising the importance of risk management, the Board has in past years established a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

At the date of this Statement, the risk profiles of significant subsidiaries in the Group have been tabled to the Board for discussion, including action plans to be taken by Management to mitigate the risks to acceptable levels. Further details of this process are set out in the Internal Control Statement in the Annual Report.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Statement on Risk Management and Internal Control in this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalise pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board will earmark a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, rights of shareholders and the Company's Annual Report may be accessed.

Principle 8 – Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

The Annual General Meeting **("AGM")**, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question & answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group during the financial year under review. This Statement also takes into account the Guidelines for Directors of Listed Issuers released by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Listing Requirements for the purpose of disclosure on the Statement on Risk Management and Internal Control of the Company on a group basis. For the purpose of this Statement, associated companies have not been included.

BOARD'S RESPONSIBILITY

The Board is ultimately responsible for the Group's system of risk management and internal control ("system"), which includes the establishment of an appropriate control environment and risk management framework as well as reviewing their adequacy and effectiveness in safeguarding shareholders' investment and the Group's assets. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. Accordingly, the system can only provide reasonable, but not absolute assurance against material misstatement or loss. The system of internal control covers, inter-alia, financial, organisational, operational and compliance controls as well as risk management.

The Board affirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by major companies in the Group. The results of this process, including risk mitigating measures taken by Management to address key risks identified, are periodically reviewed by the Board.

Besides confirming that this process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company, the Board also reviews the adequacy and effectiveness of the risk management and internal control system in the Group to ensure that appropriate measures are carried out to obtain the level of assurance required by the Board.

RISK MANAGEMENT

In line with Recommendation 6.1 of the Malaysian Code on Corporate Governance, the Board has established a structured risk management framework ("Framework") to identify, evaluate, control, report and monitor significant business risks faced by major companies in the Group, where the update risk profiles of the companies concerned are tabled to the Board for deliberation and action plans to be taken by Management in mitigating the risks, as deemed necessary.

At the date of this Statement, the Group has conducted a comprehensive update of the business risks faced by major companies in the Group, with the risk profiles thereof tabled to the Board for notation as well as relevant action plans to be taken to manage the risks to acceptable levels.

This Framework enables the Executive Management and the Board to share a common model in the effective communication and evaluation of all principal risks faced by the Group and internal controls implemented to address the risks concerned. The process involved Executive Management's identification of risks, assessment of risks and controls and formulation of appropriate action plans before these were escalated to the Board for review.

The business risks identified are scored for likelihood of their occurrence and the magnitude of impact upon the Group based on the relevant risk parameters that articulate the risk appetite of the companies concerned. The internal audit function carried out its internal audit based on the risk profiles of major companies in the Group.

Statement on Risk Management and Internal Control (Cont'd)

The key elements of the Group's Risk Management Framework comprise the following:

- *Structure*

  The Group adopts a decentralized approach to risk management, where all the employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibility of the Heads of Department.

  The Corporate Affairs Department provides risk management support to Management for the Group, as a whole. The role of the Corporate Affairs Department in providing risk management support is to look out for significant changes in the business and external environment which may affect the Group's principal business risks and report to Management so that pertinent remedial measures may be developed to mitigate the key risks caused by changes in the business and external environment; and

- Risk assessment

  The Group maintains a database of key risks specific to the major companies in the Group, together with their corresponding controls. At the date of this Statement, the internal audit function has reviewed the database of key risks and controls. There were certain risks which have been upgraded while certain risks were downgraded in tandem with the changes in environment and the enhancements of internal controls, as the case may be. The changes to key risks have been documented and updated in the risk profiles of the companies concerned.

INTERNAL AUDIT

The Group outsourced its internal audit function to KPMG Management & Risk Consulting Sdn. Bhd. (formerly known as KPMG Business Advisory Sdn. Bhd.), an independent professional firm. The scope of work performed by the internal audit function comprises the conduct of internal audit to assess the adequacy and integrity of the governance, risk and internal control processes, and highlighting to the Audit Committee significant areas for improvements as well as risks that may impact the business units concerned. This outsourced internal audit function, which reports directly to the Audit Committee, is solely responsible for planning and executing internal audit, on a risk-based approach, covering the key companies in the Group. The activities undertaken by the internal audit function comprise the following:

- preparing a detailed Internal Audit Plan ("Plan") for submission to the Audit Committee for approval before commencing internal audit work;

- executing internal audit fieldwork in accordance with the approved carrying out all activities to conduct the audits in accordance with the Plan; and

- engaged with Senior Management on reportable observations noted from internal audit; and

- issuance of internal audit report to the Audit Committee, highlighting the observations and improvement opportunities to enhance the system of risk management and internal control.

During the financial year under review, the scope of the internal audit function covered the management information system of major subsidiaries within the Group, financial management, marketing, and sales and distribution of the processing division.

Statement on Risk Management and Internal Control
(Cont'd)

INTERNAL CONTROL

The Board has established a robust system of internal control for the smooth running of the Group's operations, augmented by an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. A process of hierarchical reporting is established which provides a documented and auditable trail of accountability.

The system of internal control entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management ("Management") in running the Group's operations.

Details of some key elements of the Group's internal control system are described below:

- *Control environment*

  To provide a proper control environment, focus is directed towards the qualities and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Continuing education and training include internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal controls;

- *Control structure*

  The Board and Management have established a formal organizational structure with clearly defined lines of accountability and delegated authority within the Group. This includes well-defined responsibilities of Board committees and various management levels, including authorization levels for all aspects of the business.

  The key elements of the Group's control structure are as follows:

  Management

  - Through the Group's Business and Financial Policies and Procedures manual, Management has introduced well established standard operating procedures that cover key aspects of the Group's business processes. These policies and procedures deal with, inter-alia, control issues for financial accounting and reporting, treasury management, asset security, information technology, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements;

  - Visits by the corporate office personnel to subsidiaries and depots to provide moral checks;
  - Meetings with Heads of division which provide a sound platform for the Heads of division to communicate with, and provide feedback to Management.

  Audit Committee

  The Audit Committee reviews and notes the internal audit observations reported by the internal audit function, including follow-up by the internal audit function on the status of Management-agreed action plans to address observations reported in preceding cycles of internal audit.

  The Audit Committee Report, set out on pages 36 to 40 of this Annual Report, contains further details on the activities undertaken by the Audit Committee during the financial year under review.

  Board

  The Board holds regular discussions with the Audit Committee and Management and considers their reports on matters relating to internal controls and deliberates on their recommendation for implementation.

Statement on Risk Management and Internal Control (Cont'd)

- *Reporting and information*

  The Group has in place the following reporting and information structure:

  - Authority limits are established to provide a functional framework of authority in approving revenue and capital expenditure;
  - The Group has in place a budgeting process that provides for a responsibility accounting framework;
  - Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management to perform financial reviews on the various operating subsidiaries. The reviews encompass areas such as financial and non-financial key performance indicators and variances between budget and operating results and explanation of significant variances;
  - The Executive Directors review the monthly management accounts of all major operating companies in the Group; and
  - The Executive Directors conduct monthly meetings with Management of all significant business units within the Group to discuss the various aspects of the business, financial and operational performance of the Group.

- *Monitoring and review*

  There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action.

  The system of internal controls is reviewed on an ongoing basis by the Board (through the Audit Committee) and the Group's designated in-house internal auditor, the functions of whom are distinct from those of the outsourced internal audit. Responsibility for monitoring compliance with policies, procedures and guidelines rests principally with the in-house internal auditor who reports directly to the Managing Director.

ASSURANCE BY THE MANAGING DIRECTOR AND FINANCE DIRECTOR (EXECUTIVE DIRECTOR) ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Managing Director and the Executive Director - Finance in writing stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review.

BOARD'S COMMENTS ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the system internal controls, and that relevant actions have been or are being taken, as the case may be, to remedy the internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors and external auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of risk management and internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2012. The Board continues to take measures to strengthen the internal control environment from time to time based on the recommendations of the internal audit function as well as the external auditors.

This statement is issued in accordance with a resolution of the Board dated 25 April 2013.

Audit Committee Report

The Board of Directors is pleased to present the following Audit Committee Report and its activities for the financial year ended 31 December 2012.

1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin
Chairman of the Committee and Independent Non-Executive Director

Tuan Haji Baharom Bin Abd Wahab
Independent Non-Executive Director

Encik Mohd Khasan Bin Ahmad
Senior Independent Non-Executive Director

2. TERMS OF REFERENCE

The terms of reference of the Committee as approved by the Board are as follows:

2.1. Composition

(a) The Company shall appoint an Audit Committee from amongst its Directors which shall consist of not less than three (3) in number. All members of the Audit Committee must be Non-Executive Directors, with a majority of them independent.

(b) All the Committee members shall be financially literate.

(c) No alternate Director shall be appointed as a member of the Audit Committee.

(d) In the event of any vacancy in the Audit Committee resulting in the number of members reduced to below three (3), the Board shall within three (3) months appoint a new member to fill the vacancy.

2.2. Membership

At least one (1) member of the Audit Committee:

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

   (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
   (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(c) must have a degree/master/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or

Audit Committee Report
(Cont'd)

(d) must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or

(e) possesses such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

2.3. Chairman

The members of the Audit Committee shall elect a Chairman from among its number who shall be an Independent Director.

2.4. Quorum

The quorum for a meeting of an Audit Committee shall consist of a majority of members present, who must be Independent Directors.

2.5. Meeting

(a) the Audit Committee shall have at least four (4) meetings in a financial year and such additional meetings as the Chairman shall decide in order to fulfill its duties;

(b) the Audit Committee meeting shall be chaired by the Chairman, or in his absence, another member who is an Independent Director appointed by the Audit Committee;

(c) the Company Secretary or any person appointed by the Audit Committee shall act as Secretary of the Audit Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members not less than seven (7) days prior to each meeting;

(d) the Secretary of the Audit Committee shall be entrusted to record all proceedings of meetings;

(e) the Audit Committee may invite any Board member or any member of the Senior Management or any employees within the Company or the Group to attend any particular meeting;

(f) the Audit Committee shall report to the full Board, from time to time, its recommendation for consideration and implementation and the final decision shall be the responsibility of the Board; and

(g) the Audit Committee shall hold at least two (2) meetings in a financial year with external auditors without the presence of the other executive directors and employees of the Company.

2.6. Voting and Proceeding of Meeting

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. Provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

2.7. Minutes

(a) The Audit Committee shall cause minutes to be duly recorded and entered into the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Audit Committee Report
(Cont'd)

(b) Minutes of the Audit Committee meetings shall be made available to all Board members. A summary of significant matters of each meeting of the Audit Committee and resolutions (if any) will be reported to the Board by the Chairman of the Audit Committee.

(c) The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept by the Company at the registered office of the Company, and shall be opened for the inspection of any member of the Audit Committee and the Board.

2.8. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

(a) have the authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information, records, properties and personnel of the Company and of the Group;

(d) have direct communication channels with the external auditors and internal auditors;

(e) have the right to obtain independent professional or other advice and to invite any person with relevant experience and expertise to attend the Audit Committee meeting, whenever deemed necessary; and

(f) have the right to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

2.9. Functions and Responsibilities

The functions and responsibilities of the Audit Committee shall include the following:

(a) to consider the appointment, resignation and dismissal of external auditors and make appropriate recommendations to the Board (including the audit fees);

(b) to review with the external auditors of the Company:

(i) the audit plan;
(ii) the audit report;
(iii) their Management letter and Management's response; and
(iv) the assistance given by the employees of the Company and the Group to the external auditors.

(c) to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of Management, where necessary);

(d) to review and consider the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

(e) to review the internal audit programme, processes, the reports prepared by the internal audit department and to ensure that appropriate action is taken on the recommendations of the internal audit function;

(f) to review any appraisal or assessment of the performance of members of the internal audit function;

(g) to approve any appointment or termination of senior members of the internal audit function;

(h) to be informed of any resignation of internal audit staff and provide an avenue for resigning staff to explain or submit the reasons for resignation;

(i) to review the quarterly financial results of the Group and annual audited financial statements of the Company and the Group before recommending the same for the Board's approval, focusing particularly on:

   (i) compliance with accounting standards and any other legal requirements;
   (ii) any changes in or implementation of accounting policies and practices;
   (iii) significant and unusual events and adjustments arising from the audit; and
   (iv) the going concern assumption.

(j) to review any related party transactions and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions on Management integrity;

(k) to consider the reports, major findings and Management's responses thereto on any internal investigations carried out by internal audit function;

(l) to verify, on an annual basis, the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the By-Laws of the relevant option scheme;

(m) to promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") of a matter reported by the Audit Committee to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements ("Listing Requirements"); and

(n) such other functions or responsibilities as may be agreed to by the Audit Committee and the Board.

The reports of the Audit Committee, the external and internal auditors shall be tabled to the Board for discussion.

2.10. Review of the Audit Committee

The Board of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Audit Committee Report

(Cont'd)

3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2012, which were attended by the Audit Committee members as follows:

Member	Description	No. of Board Meetings Attended	Percentage (%)
Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	100%
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director	4/5	80%
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	100%

The Group's external auditors attended all the Audit Committee meetings during the year.

The Chairman of the Audit Committee undertakes a continuing process of engagement with senior executives of the Company as well as the external auditors so that the Audit Committee is kept up-to-date with all important issues affecting the Company.

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities undertaken by the Audit Committee are as follows:

a. Reviewed the quarterly financial and operational reports of the Group before recommending to the Board for approval;
b. Reviewed the external auditors' reports in relation to audit and accounting issues arising from the audit; and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
c. Reviewed the audit plan of the external auditors;
d. Reviewed the inter-company transactions and any related/interested party transactions that arose within the Company and the Group to ensure compliance with Malaysian Accounting Standards Board and Bursa Securities Listing Requirements;
e. Reviewed the annual report and audited financial statements of the Company and the Group prior to the submission to the Board for their consideration and approval;
f. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function;
g. Reviewed the internal audit report prepared by the internal auditors and the follow-up on Management's implementation of the recommended actions; and
h. Reviewed the Internal Control Statement and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

The trainings attended by Audit Committee members during the financial year are set out in the Corporate Governance Statement on page 28 of this Annual Report and also the Directors' Profile set out on pages 9 to 14 of this Annual Report.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent internal audit function is essential to assist in providing the assurance the Audit Committee requires regarding the adequacy and effectiveness of the risk management and internal control systems of the Group. The Company outsourced its internal audit function to KPMG Management & Risk Consulting Sdn. Bhd. (formerly known as KPMG Business Advisory Sdn. Bhd.), an independent professional advisory firm, to carry out internal audit with a view to assess the adequacy and effectiveness of the Group's system of internal controls, focusing on the principal companies within the Group. The costs incurred for the internal audit function in respect of the financial year ended 31 December 2012 was RM55,000.

A summary of internal audit activities performed by the internal audit function during the financial year under review is set out in the Statement on Risk Management and Internal Control on pages 32 to 35 of this Annual Report.

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
(Loss)/profit, net of tax, attributable to:		
Owners of the parent	(9,530)	62
Non-controlling interest	814	-
	(8,716)	62

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Hj. Zainal Bin Hj. Shamsudin
Dato' Fong Kok Yong
Datuk Fong Kiah Yeow
Fong Ngan Teng
Fong Choon Kai
Ng Cheu Kuan
Datuk Ng Peng Hay @ Ng Peng Hong
Tuan Haji Baharom Bin Abd Wahab
Mohd Khasan Bin Ahmad

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Holding company				
Direct interest				
Dato' Fong Kok Yong	85,000	-	-	85,000
Datuk Fong Kiah Yeow	85,000	-	-	85,000
Fong Ngan Teng	85,000	-	-	85,000
Fong Choon Kai	85,000	-	-	85,000
The Company				
Direct interest				
Datuk Fong Kiah Yeow	108,000	-	-	108,000
Tuan Haji Baharom Bin Abd Wahab	4,500	-	-	4,500
Indirect interest				
Dato' Fong Kok Yong	20,348,705	-	-	20,348,705
Datuk Fong Kiah Yeow	20,348,705	-	-	20,348,705
Fong Ngan Teng	20,348,705	-	-	20,348,705
Fong Choon Kai	20,348,705	-	-	20,348,705

By virtue of their interests in the holding company, namely F.C.H. Holdings Sdn. Bhd. ("FCH"), Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai are deemed interested in the shares of all the subsidiaries of the Company to the extent that FCH has an interest.

The other directors in office at the end of the financial year, Datuk Hj. Zainal Bin Hj. Shamsudin, Ng Cheu Kuan, Datuk Ng Peng Hay @ Ng Peng Hong and Mohd Khassan Bin Ahmad, did not have any interest in shares in the Company or in its related corporations during the financial year.

Directors' Report
(Cont'd)

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would:

(i) render the amount written off as bad debts or the amount provided for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:-

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:-

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report
(Cont'd)

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2013.

Dato' Fong Kok Yong

Datuk Fong Kiah Yeow

Statement by Directors

Pursuant To Section 169 (15) Of The Companies Act, 1965

We, Dato' Fong Kok Yong and Datuk Fong Kiah Yeow, being two of the directors of Farm's Best Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 49 to 124 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements on page 125 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2013.

Dato' Fong Kok Yong

Datuk Fong Kiah Yeow

Statutory Declaration

Pursuant to Section 169 (16) of the Companies Act, 1965

I, Datuk Fong Kiah Yeow, being the director primarily responsible for the financial management of Farm's Best Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 125 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed, Datuk Fong Kiah Yeow
at Melaka in the State of Melaka
on 25 April 2013

Datuk Fong Kiah Yeow

Before me,

SOO HYE CHIN
Commissioner for Oaths

Independent Auditors’ Report

To The Members Of Farm's Best Berhad

Report on the “nancial statements

We have audited the “nancial statements of Farm's Best Berhad , which comprise the statements of “nancial position of the Group and of the Company as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash ”ows of the Group and of the Company for the year then ended, and a summary of signi“cant accounting policies and other explanatory notes, as set out on pages 49 to 124.

Directors’ responsibility for the financial statements

The directors of the Company are responsible for the preparation of “nancial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of “nancial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is suf“cient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the “nancial statements give a true and fair view of the “nancial position of the Group and of the Company as at 31 December 2012 and of their “nancial performance and cash ”ows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

To The Members Of Farm's Best Berhad (Cont'd)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 44 to the financial statements on page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/13(J)
Chartered Accountant

Melaka, Malaysia
Date: 25 April 2013

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000 (restated)	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue	8	400,514	407,762	1,878	1,820
Cost of sales	8	(348,619)	(346,131)	-	-
Gross profit		51,895	61,631	1,878	1,820
Other items of income					
Interest income		582	318	148	-
Other income	9	1,592	2,151	-	69
Other items of expense					
Administrative expenses		(33,264)	(25,329)	(774)	(631)
Selling and marketing expenses		(8,664)	(8,789)	-	-
Finance costs	10	(19,704)	(13,995)	(1,041)	(795)
Share of (losses)/profits of associates		(581)	53	-	-
(Loss)/profit before tax	11	(8,144)	16,040	211	463
Income tax expense	14	(572)	(6,020)	(149)	(155)
(Loss)/profit, net of tax		(8,716)	10,020	62	308
Other comprehensive income					
Foreign currency translation		(86)	(29)	-	-
Total comprehensive (loss)/income for the year		(8,802)	9,991	62	308
(Loss)/profit, net of tax, attributable to:					
Owners of the parent		(9,530)	9,635	62	308
Non-controlling interest		814	385	-	-
		(8,716)	10,020	62	308
Total comprehensive (loss)/ income for the year attributable to:					
Owners of the parent		(9,616)	9,606	62	308
Non-controlling interest		814	385	-	-
		(8,802)	9,991	62	308
(Loss)/earnings per share attributable to owners of the parent (sen)					
Basic	15	(17.2)	17.4		
Diluted	15	(17.2)	17.4		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As At 31 December 2012

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000 (restated)	01.01.2011 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	16	145,234	120,580	125,254
Investment properties	17	-	-	215
Land use rights	18	154	166	178
Investment in associates	20	1,256	3,375	4,861
Quoted investments	21	25	25	26
Goodwill	22	4,462	8,556	11,538
Deferred tax assets	23	4,159	2,602	2,668
Land held for property development	24	5,102	5,102	5,102
		160,392	140,406	149,842
Current assets				
Property development costs	25	16,960	17,969	20,294
Biological assets	26	16,588	16,693	15,757
Inventories	27	16,611	18,842	15,790
Trade and other receivables	28	153,621	140,878	140,384
Tax recoverable		1,406	1,787	1,947
Cash and bank balances	29	40,170	21,451	15,827
Other current assets	30	2,086	3,776	2,159
		247,442	221,396	212,158
Total assets		407,834	361,802	362,000
Equity and liabilities				
Current liabilities				
Loans and borrowings	31	177,984	145,803	174,120
Trade and other payables	32	67,110	51,806	57,597
Income tax payable		176	1,796	1,712
		245,270	199,405	233,429
Net current assets/(liabilities)		*2,172*	*21,991*	*(21,271)*

Statements of Financial Position

As At 31 December 2012 (Cont'd)

Group	**Note**	**31.12.2012 RM'000**	**31.12.2011 RM'000 (restated)**	**01.01.2011 RM'000 (restated)**
Non-current liabilities				
Loans and borrowings	31	63,970	56,662	36,166
Deferred tax liabilities	23	10,327	8,666	4,257
		74,297	65,328	40,423
Total liabilities		319,567	264,733	273,852
Net assets		*88,267*	*97,069*	*88,148*
Equity attributable to owners of the parent				
Share capital	33	55,530	55,530	55,530
Share premium	34	62,641	62,641	62,641
Other reserves	35	(368)	(282)	(321)
Accumulated losses		(36,196)	(26,666)	(36,301)
		81,607	91,223	81,549
Non-controlling interest		6,660	5,846	6,599
Total equity		88,267	97,069	88,148
Total equity and liabilities		407,834	361,802	362,000

Statements of Financial Position

As At 31 December 2012 (Cont'd)

Company	**Note**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Assets				
Non-current assets				
Property, plant and equipment	16	294	449	474
Investment in subsidiaries	19	78,551	74,951	74,951
		78,845	75,400	75,425
Current assets				
Non-trade receivables	28	10,662	15,697	16,622
Tax recoverable		937	988	1,571
Cash and bank balances	29	2	-	-
		11,601	16,685	18,193
Total assets		90,446	92,085	93,618
Equity and liabilities				
Current liabilities				
Loans and borrowings	31	8,958	10,220	12,444
Trade and other payables	32	6,198	6,637	6,254
		15,156	6,857	18,698
Net current liabilities		*(3,555)*	*(172)*	*(505)*
Total liabilities		15,156	16,857	18,698
Net assets		*75,290*	*75,228*	*74,920*
Equity attributable to owners of the parent				
Share capital	33	55,530	55,530	55,530
Share premium	34	62,641	62,641	62,641
Accumulated losses		(42,881)	(42,943)	(43,251)
Total equity		75,290	75,228	74,920
Total equity and liabilities		90,446	92,085	93,618

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For The Year Ended 31 December 2012

Group 2012	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Minority discount on acquisition of non-controlling interest RM'000	Accumulated losses RM'000	Equity attributable to non-controlling interest RM'000
		← Attributable to owners of the parent →						
			← Non-distributable →					
Opening balance at 1 January 2012								
- Previously reported	95,858	90,012	55,530	62,641	(350)	68	(27,877)	5,846
- Effect of withdrawal of IC Interpretation 15 (Note 4)	1,211	1,211	-	-	-	-	1,211	-
- Restated	97,069	91,223	55,530	62,641	(350)	68	(26,666)	5,846
Total comprehensive (loss)/income	(8,802)	(9,616)	-	-	(86)	-	(9,530)	814
Closing balance at 31 December 2012	88,267	81,607	55,530	62,641	(436)	68	(36,196)	6,660

Group 2011	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Minority discount on acquisition of non-controlling interest RM'000	Accumulated losses RM'000	Equity attributable to non-controlling interest RM'000
Opening balance at 1 January 2011								
- Previously reported	87,274	80,675	55,530	62,641	(321)	-	(37,175)	6,599
- Effect of withdrawal of IC Interpretation 15 (Note 4)	874	874	-	-	-	-	874	-
- Restated	88,148	81,549	55,530	62,641	(321)	-	(36,301)	6,599
Total comprehensive income/(loss)	9,991	9,606	-	-	(29)	-	9,635	385
Transactions with owners								
Dividend paid to non-controlling interest	(770)	-	-	-	-	-	-	(770)
Acquisition of non-controlling interest	(368)	-	-	-	-	-	-	(368)
Minority discount on acquisition of non-controlling interest	68	68	-	-	-	68	-	-
Total transactions with owners	(1,070)	68	-	-	-	68	-	(1,138)
Closing balance at 31 December 2011	97,069	91,223	55,530	62,641	(350)	68	(26,666)	5,846

Statements of Changes in Equity

For The Year Ended 31 December 2012 (Cont'd)

Company **2012**	**Equity, total RM'000**	**← Non-distributable →** **Share capital RM'000**	**Share premium RM'000**	**Accumulated losses RM'000**
Opening balance at 1 January 2012	75,228	55,530	62,641	(42,943)
Total comprehensive income	62	-	-	62
Closing balance at 31 December 2012	75,290	55,530	62,641	(42,881)
Company **2011**				
Opening balance at 1 January 2011	74,920	55,530	62,641	(43,251)
Total comprehensive income	308	-	-	308
Closing balance at 31 December 2011	75,228	55,530	62,641	(42,943)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For The Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000 (restated)	Company 2012 RM'000	Company 2011 RM'000
Operating activities					
(Loss)/profit before tax		(8,144)	16,040	211	463
Adjustments for :					
Allowance for impairment losses:					
- Goodwill	22	4,094	2,982	-	-
- Trade receivables	28(a)	526	208	-	-
- Other receivables		1,826	-	-	-
Bad debts written off:					
- Trade receivables		-	49	-	-
- Other receivables		33	89	-	-
Depreciation and amortisation:					
- Property, plant and equipment	16	9,608	8,948	16	25
- Land use rights	18	12	12	-	-
Fair value loss on quoted investments		-	1	-	-
Interest expense		19,704	13,995	1,041	795
Interest income		(582)	(318)	(148)	-
Net (gain)/loss on disposal of:					
- Property, plant and equipment		(169)	(671)	10	(69)
- Investment property		-	75	-	-
Property, plant and equipment written off		287	550	2	-
Reversal of allowance for impairment losses on:					
- Trade receivables	28(a)	(15)	(18)	-	-
- Other receivables		-	(150)	-	-
Share of associates' results		581	(53)	-	-
Unrealized foreign exchange gains		(129)	(1)	-	-
Total adjustments		35,776	25,698	921	751
Operating cash flows before changes in working capital		27,632	41,738	1,132	1,214
<u>Changes in working capital</u>					
Decrease in property development costs		1,009	2,325	-	-
Decrease/(increase) in biological assets		105	(936)	-	-
Decrease/(increase) in inventories		2,231	(3,052)	-	-
(Increase)/decrease in receivables		(14,984)	(683)	5,034	925
Decrease/(increase) in other current assets		1,690	(1,617)	-	-
Increase/(decrease) in payables		15,304	(5,781)	(439)	383
Total changes in working capital		5,355	(9,744)	4,595	1,308

Statements of Cash Flows

For The Year Ended 31 December 2012 (Cont'd)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash generated from operations		32,987	31,994	5,727	2,522
Interest paid		(19,704)	(13,995)	(1,041)	(795)
Interest received		582	318	148	-
Taxes (paid)/refund		(1,707)	(1,301)	(98)	428
Net cash flows from operating activities		12,158	17,016	4,736	2,155
Investing activities					
Acquisition of:					
- Property, plant and equipment	16(c)	(31,883)	(5,882)	-	-
- Non-controlling interests		-	(300)	-	-
Additional subscription in shares in a subsidiary		-	-	(3,600)	-
Proceeds from disposal of:					
- Property, plant and equipment		374	3,008	127	69
- Investment property		-	140	-	-
Dividend received from associate		1,538	1,539	-	-
Net cash flows (used in)/from investing activities		(29,971)	(1,495)	(3,473)	69
Financing activities					
Dividend paid to non-controlling interest		-	(770)	-	-
Repayment of term loans		(4,944)	(9,685)	(380)	(1,317)
Drawdown of term loans		11,850	4,900	-	-
Repayment of finance lease payables		(269)	(2,026)	-	-
Increase/(decrease) in short term borrowings		30,873	(3,434)	-	-
Net cash flows from/(used in) financing activities		37,510	(11,015)	(380)	(1,317)
Net increase in cash and cash equivalents		19,697	4,506	883	907
Effect of exchange rate changes on cash and cash equivalents		(86)	(29)	-	-
Cash and cash equivalents at 1 January		(68)	(4,545)	(8,512)	(9,419)
Cash and cash equivalents at 31 December	29	19,543	(68)	(7,629)	(8,512)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at AG 5730, Alor Gajah Industrial Estate, Alor Gajah, 78000 Melaka.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19. There have been no significant changes in the nature of the principal activities during the financial year.

The directors regard F.C.H. Holdings Sdn. Bhd., a company incorporated in Malaysia, as the Company's immediate and ultimate holding company.

2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS) and the requirements of the Companies Act, 1965 in Malaysia. Refer to Note 4 for detailed information on how the Group adopted the new and amended FRS and IC Interpretations during the financial year.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. Significant accounting policies

3.1 Subsidiaries and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. Significant accounting policies (continued)

3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resultant gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.3 Foreign currency translation

(a) Functional and presentation currency

The Group's and the Company's financial statements are presented in Ringgit Malaysia which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3. Significant accounting policies (continued)

3.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

(c) Group companies

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2011 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Prior to 1 January 2011, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent. The Group and its subsidiaries have concluded that they are acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(b) Sale of development properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 3.14(ii).

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

(c) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(f) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

3.5 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Significant accounting policies (continued)

3.7 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

3. Significant accounting policies (continued)

3.7 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

(i) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.8 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions (Note 7).

3. Significant accounting policies (continued)

3.8 Property, plant and equipment (continued)

Capital work-in-progress is not depreciated. For other assets, depreciation is calculated on a straight-line basis over their estimated useful lives as follows:

Leasehold land	72 to 100 years
Buildings	50 years
Motor vehicles	10 years
Plant and machinery	5 to 20 years
Other assets	5 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The investment properties are depreciated over 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3.8 up to the date of change in use.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

3. Significant accounting policies (continued)

3.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases which transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

(b) Group as lessor

Leases in which the Group/Company do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease terms of 20 years.

3.12 Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

3. Significant accounting policies (continued)

3.13 Investment in associates

The Group's investment in associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profits/(losses) of an associate is shown on the face of the profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in an associate. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit/(losses) of an associate' in the profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. Significant accounting policies (continued)

3.14 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

3.15 Biological assets

Biological assets comprise breeder chickens and hatching eggs which are held to produce day old chicks for sale, as well as pullets and layers. Pullets consist of the purchase price of day old chicks plus growing costs which include feed and vaccines, direct labour cost and a proportion of farm overheads. Breeders chickens and layers are stated at cost adjusted for amortisation (calculated based on their economic egg laying lives less net realisable values).

3. Significant accounting policies (continued)

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis.

(b) Finished goods and work-in-progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3. Significant accounting policies (continued)

3.17 Impairment of non-financial assets (continued)

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.18 Financial instruments

(a) Financial assets

(i) Initial recognition and measurement

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables and quoted financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

<u>Financial assets at fair value through profit or loss</u>
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the profit or loss.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)
The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 December 2011 and 2012.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial investments (continued)
After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Available-for-sale investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Available-for-sale investments (continued)
In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and financial guarantee contracts.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

The Group has no financial liabilities held for trading but has designated its loans and borrowings (other than finance lease obligations) upon initial recognition at fair value through profit or loss.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement (continued)

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at the reporting date, no values were placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantee as minimal.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Significant accounting policies (continued)

3.18 Financial instruments (continued)

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of financial instruments and further details as to how they are measured are provided in Note 38.

3.19 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

3.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.21 Dividend distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in statement of comprehensive income.

3.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. Significant accounting policies (continued)

3.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

3.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

4. Adoption of new and amended FRS and IC interpretations

The above accounting policies are consistent with those of the previous financial year except as follows:

(a) The Group adopted, where applicable, the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2012:

FRS 1	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)
FRS 7	Amendments to FRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets)
FRS 112	Amendments to FRS 112 Income Taxes (Deferred Tax: Recovery of Underlying Assets)
FRS 124	Related Party Disclosures
IC Int. 14	Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

<u>Amendments to FRS 7: Transfers of Financial Assets</u>

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the users of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only, if any, and has no impact on the Group's financial position or performance.

<u>Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets</u>

The amendments clarified the determination of deferred tax on investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in FRS 140 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, deferred tax on non-depreciable assets that are measured using the revaluation model in FRS 116 is required to be always measured on a sale basis of that asset. The amendment has no impact on the Group's financial position or performance.

4. Adoption of new and amended FRS and IC interpretations (continued)

(b) The following Interpretation was withdrawn by MASB and no longer effective for accounting periods beginning on or after 1 January 2012:

IC Int.15 Agreements for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provided guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

During the financial year ended 31 December 2010, the Group had early adopted IC Interpretation 15 Agreements for the Construction of Real Estate and recognised such revenue at completion, or upon or after delivery of the development properties.

Following the withdrawal of this Interpretation, the Group changed its accounting policy to recognise revenue arising from property development projects using the stage of completion method in accordance to FRS 201 Property Development Activities.

This change in accounting policy has been applied retrospectively and a prior year adjustment has been effected. The effects on the financial performance and financial position of the Group are as follows:

	Previously reported RM'000	Prior year adjustment RM'000	Re-stated RM'000
Income statement for year ended 31 December 2011			
Revenue	406,752	1,010	407,762
Cost of sales	(345,458)	(673)	(346,131)
Gross profit	61,294	337	61,631
Profit before tax	15,703	337	16,040
Profit, net of tax	9,683	337	10,020
Total comprehensive income for the year	9,654	337	9,991
Profit, net of tax, attributable to owners of the parent	9,298	337	9,635
Total comprehensive income for the year attributable to owners of the parent	9,269	337	9,606
Statement of financial position as at 1 January 2011			
Property development costs	30,450	(10,156)	20,294
Total current assets	219,787	(7,629)	212,158
Total assets	369,629	(7,629)	362,000
Accumulated losses	(37,175)	874	(36,301)
Total equity	87,274	874	88,148
Total equity and liabilities	369,629	(7,629)	362,000

4. Adoption of new and amended FRS and IC interpretations (continued)

	Previously reported RM'000	Prior year adjustment RM'000	Re-stated RM'000
Statement of financial position as at 31 December 2011			
Property development costs	28,798	(10,829)	17,969
Total current assets	229,256	(7,860)	221,396
Total assets	369,662	(7,860)	361,802
Accumulated losses	(27,877)	1,211	(26,666)
Total equity	95,858	1,211	97,069
Total equity and liabilities	369,662	(7,860)	361,802
Statement of cash flows for year ended 31 December 2011			
Profit before taxation	15,703	337	16,040
Decrease in property development costs	1,652	673	2,325
Increase in receivables	(92)	(591)	(683)
Decrease in payables	(5,793)	12	(5,781)
Total changes in working capital	(9,838)	94	(9,744)

5. Standards, amendments and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are listed below. The Group and Company intend to adopt, where applicable, these standards, amendments and interpretations as and when they become effective:

(a) Effective for annual periods beginning on or after 1 July 2012

FRS 101 Amendments to FRS 101 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

5. Standards, amendments and interpretations issued but not yet effective (continued)

(b) Effective for annual periods beginning on or after 1 January 2013

FRS 1	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards (Government Loans)
FRS 1	Amendments to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs - 2012)
FRS 7	Amendments to FRS 7 Financial Instruments : Disclosures (Offsetting Financial Assets and Financial Liabilities)
FRS 10	Consolidated Financial Statements
FRS 10	Amendments to FRS 10 Consolidated Financial Statements (Transition Guidance)
FRS 11	Joint Arrangements
FRS 11	Amendments to FRS 11 Joint Arrangements (Transition Guidance)
FRS 12	Disclosure of Interests in Other Entities
FRS 12	Amendments to FRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
FRS 13	Fair Value Measurement
FRS 101	Amendments to FRS 101 Presentation of Financial Statements (Improvements to FRSs - 2012)
FRS 116	Amendments to FRS 116 Property, Plant and Equipment (Improvements to FRSs - 2012)
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associate and Joint Ventures
FRS 132	Amendments to FRS 132 Financial Instruments: Presentation (Improvements to FRSs - 2012)
FRS 134	Amendments to FRS134 Interim Financial Reporting (Improvements to FRSs -2012)
IC Int. 2	Amendment to IC Int. 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs - 2012)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective for annual periods beginning on or after 1 January 2014

FRS 10	Amendments to FRS 10 Consolidated Financial Statements (Investment Entities)
FRS 12	Amendments to FRS 12 Disclosure of Interests in Other Entities (Investment Entities)
FRS 127	Amendments to FRS 127 Consolidated and Separate Financial Statements (Investment Entities)
FRS 132	Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

(d) Effective for annual periods beginning on or after 1 January 2015

FRS 9	Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as discussed below:

(a) FRS 9 Financial Instruments

FRS 9 reflects the first phase of the work on the replacement of FRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

5. Standards, amendments and interpretations issued but not yet effective (continued)

(b) FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when:

(i) the investor has power over an investee,

(ii) the investor has exposure, or rights, to variable returns from its involvement with the investee, and

(iii) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

(c) FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted.

(d) Amendments to FRS 101 Presentation of Financial Statements (Improvements in FRSs - 2012)

The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

(e) FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

6. 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 until 1 January 2014. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory 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, the Group will prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. 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 commenced transitioning its accounting policies and financial reporting from the current FRS Framework to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

At the date of these financial statements, the Group has not completed its assessment and quantification of the financial effects of the differences between the FRS Framework and MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

7. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

7.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgment, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements.

7.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

7. Significant accounting judgments, estimates and assumptions (continued)

7.2 Key sources of estimation uncertainty (continued)

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at year end amounts to RM4,462,000 (2011: RM8,556,000). Further details are disclosed in Note 22.

(b) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and reinvestment allowances to the extent that it is probable that future taxable profits will be available against which the losses, capital allowances and reinvestment allowances can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of deferred tax assets recognised in respect of unutilised tax losses, capital allowances and reinvestment allowances and the amounts of such losses and allowances for which deferred tax assets were not recognised are disclosed in Note 23.

If the Group was able to recognise all unrecognised deferred tax assets during the financial year, it would have resulted in an after-tax profit of RM12,366,000 (2011: RM31,966,000) for the Group.

(c) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and of the Company's loans and receivable at the reporting date is disclosed in Note 28. If the present value of estimated future cash flows increase/decrease by 5% from management's estimates, the Group's and the Company's allowance for impairment will decrease/increase by RM1,426,000 (2011: RM1,257,000) and RM216,000 (2011: RM1,371,000) respectively.

(d) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 5 to 20 years and residual values of its property, plant and equipment to be insignificant. These are common residual values and life expectancies applied in the poultry and hatchery industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

8. Revenue and cost of sales

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend income from subsidiaries	-	-	1,878	1,820
Sales of goods	383,794	392,045	-	-
Sales of completed houses	16,720	15,717	-	-
	400,514	407,762	1,878	1,820

Cost of sales comprise cost of goods and completed houses sold.

9. Other income

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bad debts recovered	56	-	-	-
Gain on foreign exchange:				
- Unrealised	129	1	-	-
- Realised	34	401	-	-
Net gain from disposal of property, plant and equipment	169	671	-	69
Reversal of allowance for impairment losses on:				
- Trade receivables	15	18	-	-
- Other receivables	-	150	-	-
Rental income	-	26	-	-
Sundry income	1,189	884	-	-
	1,592	2,151	-	69

10. Finance costs

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
- Bank overdrafts	1,901	1,783	766	813
- Bankers' acceptances	2,497	2,513	-	-
- Term loans	7,593	3,314	96	104
- Obligations under finance leases	450	277	-	-
- Revolving credits	6,441	5,322	-	-
- Trust receipts	783	786	-	-
- Others	39	-	-	-
Interest recouped by/(from) subsidiaries	-	-	179	(122)
Total finance costs	19,704	13,995	1,041	795

11. (Loss)/profit before tax

The following amounts have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Auditors' remuneration				
- Statutory audits (current year)	182	166	15	15
- Statutory audits (prior year)	10	-	-	-
- Other services	136	88	-	-
Allowance for impairment losses:				
- Goodwill	4,094	2,982	-	-
- Trade receivables	526	208	-	-
- Other receivables	1,826	-	-	-
Bad debts written off:				
- Trade receivables	-	49	-	-
- Other receivables	33	89	-	-
Depreciation and amortisation				
- Property, plant and equipment	9,608	8,948	16	25
- Land use rights	12	12	-	-
Employee benefits expense	29,914	27,190	-	-
Fair value loss on quoted investments	-	1	-	-
Minimum operating lease payments				
- Land and buildings	998	2,316	-	-
- Plant and machinery	1,648	1,242	-	-
- Motor vehicles	334	296	-	-
Non-executive directors' emoluments (Note 13)	108	96	108	96
Net loss from disposal:				
- Property, plant and equipment	-	-	10	-
- Investment property	-	75	-	-
Property, plant and equipment written off	287	550	2	-

12. Employee benefits expense

	Group	
	2012 RM'000	2011 RM'000
Executive directors (Note 13)		
Directors of the Company	3,173	2,448
Other directors of subsidiaries	415	425
	3,588	2,873

12. Employee benefits expense (continued)

	Group 2012 RM'000	Group 2011 RM'000
Other key management personnel		
Wages and salaries	937	812
Defined contribution plans	113	98
Other related costs	4	4
	1,054	914
Other staff		
Wages and salaries	22,304	20,584
Defined contribution plans	1,904	1,846
Other related costs	1,064	973
	25,272	23,403
	29,914	27,190

13. Directors' remuneration

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive directors:				
- Salaries and other emoluments	2,835	2,187	-	-
- Defined contribution plans	338	261	-	-
	3,173	2,448	-	-
Non-executive directors				
- Fees	108	96	108	96
	3,281	2,544	108	96
Other directors of subsidiaries				
Executive directors				
- Salaries and other emoluments	369	379	-	-
- Defined contribution plans	46	46	-	-
	415	425	-	-
	3,696	2,969	108	96

13. Directors' remuneration (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total				
Executive directors (Note 12)	3,588	2,873	-	-
Non-executive directors (Note 11)	108	96	108	96
	3,696	2,969	108	96

The directors' emoluments for the Group do not include the monetary value of benefits-in-kind in respect of the directors of the Company and of the subsidiaries amounting to RM3,600 (2011: RM3,600) and NIL (2011: RM8,800) respectively.

The number of directors of the Company with total annual emoluments within the following bands is as follows:

	Number of directors	
	2012	2011
Executive directors:		
RM200,001 to RM250,000	2	2
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	-	4
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	4	-
Non-executive directors:		
Below RM50,000	3	3

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

14. Income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current income tax:				
- Malaysian income tax	804	1,494	149	155
- (Over)/underprovision in previous years	(336)	51	-	-
	468	1,545	149	155
Deferred income tax (Note 23):				
- Origination and reversal of temporary differences	(1)	3,953	-	-
- Underprovision in previous years	105	522	-	-
	104	4,475	-	-
	572	6,020	149	155

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate is as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Accounting (loss)/profit before tax	(8,144)	16,040	211	463
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(2,036)	4,010	53	116
Effect of:				
- Expenses not deductible for tax purposes	3,869	1,947	389	217
- Gains not subject to tax	(408)	(245)	-	-
Share of results of associates	145	(13)	-	-
Deferred tax assets recognised on				
- Tax losses and capital allowances	(1,380)	(238)	-	-
- Reinvestment allowances	(1)	(181)	-	-
Deferred tax assets not recognised on tax losses and capital allowances	1,305	679	2	3
Tax savings from utilisation of previously unrecognised:				
- Tax losses and capital allowances	(573)	(364)	(295)	(181)
- Reinvestment allowances	(118)	(148)	-	-
(Over)/underprovision in respect of previous years				
- Current tax	(336)	51	-	-
- Deferred tax	105	522	-	-
Income tax expense recognised in profit or loss	572	6,020	149	155

14. Income tax expenses (continued)

Amounts available for carry forward to offset against future taxable income are as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Unutilised tax losses and capital allowances	99,361	113,784	89,268
Unabsorbed reinvestment allowances	15,018	16,280	15,543
	114,379	130,064	104,811

15. Earnings per share

Basic and diluted earnings per share is calculated by dividing the Group's (loss)/profit net of tax attributable to owners of the parent with the number of ordinary shares in issue during the financial year.

	Group	
	2012	**2011**
(Loss)/profit net of tax attributable to owners of the parent (RM'000)	(9,530)	9,635
Weighted average ordinary shares in issue during the year financial year ('000)	55,530	55,530
(Loss)/earnings per share (sen)		
- Basic	(17.2)	17.4
- Diluted	(17.2)	17.4

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

There has been no other transaction involving ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

16. Property, plant and equipment

Group	* Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
Cost					
At 1 January 2011	86,504	150,797	20,745	15,118	273,164
Additions	3,312	2,038	1,491	320	7,161
Reclassification	2	2	(366)	362	-
Disposals	(1,871)	(1,369)	(1,809)	(298)	(5,347)
Written off	(2,194)	(3,944)	(97)	(2,046)	(8,281)
At 31 December 2011 and 1 January 2012	85,753	147,524	19,964	13,456	266,697
Additions	28,434	4,390	1,704	226	34,754
Disposals	(190)	-	(1,370)	(117)	(1,677)
Written off	-	(899)	(229)	(300)	(1,428)
At 31 December 2012	113,997	151,015	20,069	13,265	298,346
Accumulated depreciation					
At 1 January 2011	35,321	84,475	16,478	11,636	147,910
Charge for the year	2,335	4,817	1,267	529	8,948
Reclassification	-	(20)	(350)	370	-
Disposals	(354)	(708)	(1,683)	(265)	(3,010)
Written off	(2,014)	(3,786)	(97)	(1,834)	(7,731)
At 31 December 2011 and 1 January 2012	35,288	84,778	15,615	10,436	146,117
Charge for the year	2,793	5,115	1,259	441	9,608
Reclassification	-	2	-	(2)	-
Disposals	(53)	-	(1,302)	(117)	(1,472)
Written off	-	(627)	(217)	(297)	(1,141)
At 31 December 2012	38,028	89,268	15,355	10,461	153,112
Net carrying amount					
At 1 January 2011	51,183	66,322	4,267	3,482	125,254
At 31 December 2011	50,465	62,746	4,349	3,020	120,580
At 31 December 2012	75,969	61,747	4,714	2,804	145,234

16. Property, plant and equipment (continued)

*** Land and buildings**

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 January 2011	12,258	3,666	70,580	86,504
Additions	783	-	2,529	3,312
Reclassification	10	-	(8)	2
Disposals	(530)	-	(1,341)	(1,871)
Written off	-	-	(2,194)	(2,194)
At 31 December 2011 and 1 January 2012	12,521	3,666	69,566	85,753
Additions	11,722	-	16,712	28,434
Disposals	-	-	(190)	(190)
At 31 December 2012	24,243	3,666	86,088	113,997
Accumulated depreciation				
At 1 January 2011	-	667	34,654	35,321
Charge for the year	-	50	2,285	2,335
Disposals	-	-	(354)	(354)
Written off	-	-	(2,014)	(2,014)
At 31 December 2011 and 1 January 2012	-	717	34,571	35,288
Charge for the year	-	53	2,740	2,793
Disposals	-	-	(53)	(53)
At 31 December 2012	-	770	37,258	38,028
Net carrying amount				
At 1 January 2011	12,258	2,999	35,926	51,183
At 31 December 2011	12,521	2,949	34,995	50,465
At 31 December 2012	24,243	2,896	48,830	75,969

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

16. Property, plant and equipment (continued)

Company	**Buildings RM'000**	**Motor vehicles RM'000**	**Office equipment RM'000**	**Total RM'000**
Cost				
At 1 January 2011	600	434	539	1,573
Disposals	-	(368)	-	(368)
At 31 December 2011 and 1 January 2012	600	66	539	1,205
Disposals	(190)	(66)	-	(256)
Written off	-	-	(293)	(293)
31 December 2012	410	-	246	656
Accumulated depreciation				
At 1 January 2011	149	434	516	1,099
Charge for the year	12	-	13	25
Disposals	-	(368)	-	(368)
At 31 December 2011 and 1 January 2012	161	66	529	756
Charge for the year	10	-	6	16
Disposals	(53)	(66)	-	(119)
Written off	-	-	(291)	(291)
At 31 December 2012	118	-	244	362
Net carrying amount				
At 1 January 2011	451	-	23	474
At 31 December 2011	439	-	10	449
At 31 December 2012	292	-	2	294

(a) Other assets consist of furniture, fixtures and fittings, office equipment, piping, fencing and tubewell, renovations and improvements and capital work-in-progress. The cost of assets under capital work-in-progress included herein amounts to RM660,000 (2011: RM660,000).

16. Property, plant and equipment (continued)

(b) The net carrying amount of property, plant and equipment pledged to secure bank borrowings as referred to in Note 31 are as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Land and buildings	64,940	35,998
Plant and machinery	37,575	46,052
Other assets	1,111	2,530
	103,626	84,580

Certain assets of the Group at net carrying amount of RM32,532,000 (2011: RM5,341,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 31.

(c) Property, plant and equipment acquired during the year were by means of the following:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Outright purchase	31,883	5,882
Lease financing	2,871	1,279
	34,754	7,161

(d) The net carrying amount of property, plant and equipment being acquired under finance lease arrangements are as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Motor vehicles	3,158	2,977
Plant and machinery	3,003	2,325
Other assets	-	141
	6,161	5,443

17. Investment properties

	Group 2012 RM'000	Group 2011 RM'000
Cost		
At 1 January	-	240
Disposals	-	(240)
At 31 December	-	-
Accumulated depreciation		
At 1 January	-	25
Disposals	-	(25)
At 31 December	-	-
Net carrying amount	-	-
Fair value	-	-

18. Land use rights

	Group 2012 RM'000	Group 2011 RM'000
Cost		
At beginning of year/end of year	191	191
Accumulated amortisation		
At 1 January	25	13
Amortisation for the year	12	12
At 31 December	37	25
Net carrying amount	154	166
Amount to be amortised:		
- Not later than one year	12	12
- Later than one year but not later than five years	60	60
- Later than five years	82	94

19. Investment in subsidiaries

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Unquoted shares at cost	88,951	85,351	85,351
Accumulated impairment losses	(10,400)	(10,400)	(10,400)
	78,551	74,951	74,951

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2012	31.12.2011
Held by the Company				
Sinmah Livestocks Sdn. Bhd.	Malaysia	Contract farming and trading of chicken feeds, day old chicks and vaccines	100%	100%
Sinmah Multifeed Sdn. Bhd.	Malaysia	Manufacturing and wholesale of chicken feeds	99.99%	99.99%
Sinmah Egg Products Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Farm's Best Food Industries Sdn. Bhd.	Malaysia	Poultry processing, contract farming, marketing and distribution of poultry products	100%	100%
Sinmah Breeders Sdn. Bhd.	Malaysia	Poultry breeding and hatchery operations	100%	100%
Sinmah Ventures Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Lynbridge Sdn. Bhd.	Malaysia	Dormant	100%	100%
Sinmah Development Sdn. Bhd.	Malaysia	Property development	100%	100%
Held through subsidiaries				
Farm's Best Eggmart Sdn. Bhd.	Malaysia	Dormant	100%	100%
Chem Ventures Sdn. Bhd.	Malaysia	Trading of chemicals, medication and related equipment	100%	100%
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	Trading of feeds, medication and poultry farming	51%	51%

19. Investment in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2012	31.12.2011
Held through subsidiaries				
Joint Farming Sdn. Bhd.	Malaysia	Dormant	58.91%	58.91%
Suann Food Processors Sdn. Bhd.	Malaysia	Poultry meat processing	100%	100%
SM Broilers Sdn. Bhd.	Malaysia	Contract farming, marketing and distribution of poultry products	100%	100%
Realtemas Realty Sdn. Bhd.	Malaysia	Property development	100%	100%
Sinmah Builders Sdn. Bhd.	Malaysia	Building and general contracting and provision of management services	100%	100%
Cosmal Enterprise Sdn. Bhd.	Malaysia	Property development	100%	100%
Sinmah Poultry Farm Sdn. Bhd.	Malaysia	Poultry farming and investment holding	100%	100%
Premier Broilers Sdn. Bhd.	Malaysia	Dormant	100%	100%
Joint Food Proccessing Sdn. Bhd.	Malaysia	Dormant	60%	60%
Bersatu Segar Sdn. Bhd.	Malaysia	Trading of feeds, medication and poultry farming	100%	100%
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	Dormant	100%	100%
Chix Unlimited Inc. *	Philippines	Hatchery operations	51%	51%
FB Food (Nanjing) Pte. Ltd. *	People's Republic	International trade, import and export of poultry products, value-added production and of China sales and marketing	100%	100%

* Not audited by Ernst & Young

(a) Acquisition of non-controlling interest

On 12 September 2011, the Group's subsidiary, Sinmah Livestocks Sdn. Bhd. ("SLSB"), acquired an additional 25% equity interest in Chem Ventures Sdn. Bhd. ("CVSB") for a cash consideration of RM300,000. As a result of this acquisition, CVSB became a wholly-owned subsidiary of SLSB. On the date of acquisition, the carrying value of the additional interest acquired was RM368,000. The difference between the consideration and the book value of the interest acquired of RM68,000 is reflected in equity as minority discount on acquisition of non-controlling interest.

19. Investment in subsidiaries (continued)

(b) Subscription of additional shares in a subsidiary

During the year, the Company subscribed for an additional 3,600,000 new ordinary shares of RM1.00 each in Sinmah Development Sdn. Bhd. for a cash consideration of RM3,600,000. The proportion of ownership interest in Sinmah Development Sdn. Bhd. held by the Company remains unchanged.

20. Investment in associates

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Unquoted shares, at cost	5,646	5,646	5,646
Share of post acquisition reserves	(4,390)	(2,271)	(785)
Share of net assets	1,256	3,375	4,861

Details of the associates are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2012	Proportion of ownership interest 31.12.2011
S.M. Enterprise (Nanjing) Pte. Ltd.	People's Republic of China	Dormant	50%	50%
SMNS Rubber Holdings Sdn. Bhd.	Malaysia	Management of rubber small holdings	49.90%	49.90%
Ban Yen Sdn. Bhd.	Malaysia	Dormant	30.77%	30.77%

The summarised financial information of the associates, not adjusted for the proportion or ownership interest held by the Group, is as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Assets and liabilities:			
Total assets	8,499	16,604	32,417
Total liabilities	(924)	(2,964)	(26,427)

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

20. Investment in associates (continued)

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Results:			
Revenue	3,825	4,379	8,559
(Loss)/profit for the year	(667)	514	(786)

21. Quoted investments

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Fair value through profit or loss (Note 38)			
- Equity instruments (quoted in Malaysia)	25	25	26

22. Goodwill

	Group	
	2012 RM'000	**2011 RM'000**
Cost		
At 1 January/31 December	19,660	19,660
Accumulated impairment losses		
At 1 January	11,104	8,122
Impairment	4,094	2,982
At 31 December	15,198	11,104
Net carrying amount	4,462	8,556

22. Goodwill (continued)

Impairment testing of goodwill

Goodwill has been allocated to the Group's CGUs identified according to the individual subsidiaries as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Poultry Division			
Syarikat Perniagaan Suann Sdn. Bhd.	452	452	452
Joint Farming Sdn. Bhd.	-	-	782
Suann Food Processors Sdn. Bhd.	1,708	1,708	1,708
Sinmah Breeders Sdn. Bhd.	38	38	38
Sinmah Poultry Farm Sdn. Bhd.	-	3,946	6,146
Chix Unlimited Inc.	-	148	148
Housing Development			
Sinmah Development Sdn. Bhd.	2,264	2,264	2,264
	4,462	8,556	11,538

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations are as follows:

	Growth rate	Gross margin	Discount rate
Poultry division			
Year ended 31 December 2011	3%	13%	10%
Year ended 31 December 2012	5%	11%	10%
Housing development			
Year ended 31 December 2011	-	11%	10%
Year ended 31 December 2012	-	11%	10%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Growth rates - The average growth rates are based on management's best estimate having regards to their experience and knowledge on the long term growth rate for the industry.

Budgeted gross margin - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, after considering current economic conditions.

Discount rate - The discount rates used are pre-tax and reflect cost of borrowing of the subsidiaries.

22. Goodwill (continued)

The Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause recoverable amounts to be lower than their carrying amount.

Impairment losses recognised

During the financial year, impairment losses of RM4,094,000 (2011: RM2,982,000) were recognised to write-down the net carrying amount of goodwill attributable to Sinmah Poultry Farm Sdn. Bhd. and Chix Unlimited Inc. (2011: Joint Farming Sdn. Bhd. and Sinmah Poultry Farm Sdn. Bhd.) respectively.

23. Deferred tax (assets)/liabilities

	Group	
	2012 RM'000	2011 RM'000
At 1 January	6,064	1,589
Recognised in profit or loss (Note14)	104	4,475
At 31 December	6,168	6,064
Presented in the statement of financial position as follows:		
Deferred tax assets	(4,159)	(2,602)
Deferred tax liabilities	10,327	8,666
	6,168	6,064

Components of the deferred tax (assets)/liabilities are as follows:

	Statement of comprehensive income		Statement of financial position		
Group	2012 RM'000	2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Property, plant and equipment	135	1,153	19,891	19,756	18,603
Unutilised tax losses and capital allowances	(112)	4,102	(7,094)	(6,982)	(11,084)
Unabsorbed reinvestment allowances	213	(787)	(2,188)	(2,401)	(1,614)
Others	(132)	7	(4,441)	(4,309)	(4,316)
	104	4,475	6,168	6,064	1,589

The following items were not recognised for deferred tax assets as they relate to those loss-making subsidiaries and it is not probable that they will be utilised by taxable profits in the foreseeable future.

23. Deferred tax (assets)/liabilities (continued)

	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Unutilised tax losses and capital allowances	76,330	79,376	76,875
Unabsorbed reinvestment allowances	7,998	8,407	9,046
	84,328	87,783	85,921

24. Land held for property development

Land held for development comprises leasehold land which is being pledged to secure bank borrowings as disclosed in Note 31.

25. Property development costs

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group				
Cumulative costs				
At 1 January 2012	581	2,997	25,220	28,798
Cost incurred during the year	-	-	1,618	1,618
Reversal of completed projects	-	(858)	(251)	(1,109)
At 31 December 2012	581	2,139	26,587	29,307
Cumulative costs recognised in income statement				
At 1 January 2012:				
- Originally reported	-	-	-	-
- Effect of withdrawing IC Interpretation 15	(172)	(1,255)	(9,402)	(10,829)
- Restated	(172)	(1,255)	(9,402)	(10,829)
Recognised during the year	(189)	(788)	(1,650)	(2,627)
Reversal of completed projects	-	858	251	1,109
At 31 December 2012	(361)	(1,185)	(10,801)	(12,347)
Property development costs at 31 December 2012	220	954	15,786	16,960

25. Property development costs (continued)

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group				
Cumulative costs				
At 1 January 2011	581	3,999	25,870	30,450
Cost incurred during the year	-	-	1,931	1,931
Reversal of completed projects	-	(1,002)	(2,581)	(3,583)
At 31 December 2011	581	2,997	25,220	28,798
Cumulative costs recognised in income statement				
At 1 January 2011				
- Originally reported	-	-	-	-
- Effect of withdrawing IC Interpretation 15	-	(1,199)	(8,957)	(10,156)
- Restated	-	(1,199)	(8,957)	(10,156)
Recognised during the year	(172)	(1,058)	(3,026)	(4,256)
Reversal of completed projects	-	1,002	2,581	3,583
At 31 December 2011	(172)	(1,255)	(9,402)	(10,829)
Property development costs at 31 December 2011	409	1,742	15,818	17,969
Property development costs at 1 January 2011	581	2,800	16,913	20,294

26. Biological assets

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
At cost:			
Hatching eggs	2,008	1,960	1,855
Day old chicks	368	701	1,146
Pullets	1,396	1,483	1,165
	3,772	4,144	4,166
At cost less amortisation:			
Layers	5,239	4,769	4,490
Breeders	7,577	7,780	7,101
	12,816	12,549	11,591
	16,588	16,693	15,757

27. Inventories

	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
At cost:			
Raw materials, medical supplies and chemicals	4,529	5,754	3,838
Processed chickens	6,009	5,000	5,133
Trading eggs	176	90	49
Consumable supplies	3,344	3,140	3,167
Completed houses and shops	885	2,914	2,297
Ingredient stocks and others	1,668	1,944	1,306
	16,611	18,842	15,790

28. Trade and other receivables

	Group 31.12.2012 RM'000	31.12.2011 RM'000 (restated)	01.01.2011 RM'000 (restated)
Trade receivables			
Third parties	162,549	144,337	143,707
Accrued billings in respect property development costs	2,916	2,969	2,527
Retention sum	232	1,948	2,238
	165,697	149,254	148,472
Allowance for impairment (Third parties)	(25,432)	(24,921)	(24,731)
Trade receivables, net	140,265	124,333	123,741
Other receivables			
Amount due from related company:			
- Holding company	-	-	508
Third parties	5,566	6,487	8,197
Deposits	9,823	10,278	8,522
	15,389	16,765	17,227
Allowance for impairment (Third parties)	(2,033)	(220)	(584)
Other receivables, net	13,356	16,545	16,643
Total trade and other receivables (Note 38)	153,621	140,878	140,384

28. Trade and other receivables (continued)

		Company	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Non-trade receivables			
Amounts due from related companies:			
- Holding company	-	-	508
- Subsidiaries	14,952	43,085	43,501
Third parties	27	23	24
Deposits	8	8	8
	14,987	43,116	44,041
Allowance for impairment (Related companies)	(4,325)	(27,419)	(27,419)
Total non-trade receivables (Note 38)	10,662	15,697	16,622

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 (2011: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

		Group	
	31.12.2012 RM'000	**31.12.2011 RM'000 (restated)**	**01.01.2011 RM'000 (restated)**
Neither past due nor impaired	79,891	84,579	83,200
1 to 30 days past due not impaired	18,800	13,280	7,050
31 to 60 days past due not impaired	17,927	10,439	20,246
More than 61 days past due not impaired	22,527	16,035	6,804
	59,254	39,754	34,100
Impaired	26,552	24,921	31,172
	165,697	149,254	148,472

Receivables that are neither past due nor impaired

These are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

28. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are past due but not impaired

These are active accounts which the management considers to be recoverable.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment is as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Trade receivables - nominal amounts	26,552	24,921	31,172
Less: Allowance for impairment	(25,432)	(24,921)	(24,731)
	1,120	-	6,441

Movement in allowance account:

	2012 RM'000	**2011 RM'000**
At 1 January	24,921	24,731
Charge for the year	526	208
Reversal of impairment losses	(15)	(18)
Written off	-	-
At 31 December	25,432	24,921

Trade receivables that are individually determined to be impaired at the reporting date relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

28. Trade and other receivables (continued)

(b) Other receivables

Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment is as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Other receivables - nominal amounts	2,033	220	584
Less: Allowance for impairment	(2,033)	(220)	(584)
	-	-	-

	2012 RM'000	**2011 RM'000**
At 1 January	220	584
Charge for the year	1,826	-
Reversal of impairment losses	-	(150)
Written off	(13)	(214)
At 31 December	2,033	220

Other receivables that are individually determined to be impaired at the reporting date relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(c) Non-trade receivables

Non-trade receivables that are impaired

The Company's non-trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment is as follows:

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Non-trade receivables - nominal amounts	4,325	27,419	27,419
Less: Allowance for impairment	(4,325)	(27,419)	(27,419)
	-	-	-

28. Trade and other receivables (continued)

(c) Non-trade receivables (continued)

Non-trade receivables that are impaired (continued)

Movement in allowance account:

	2012 RM'000	2011 RM'000
At 1 January	27,419	27,419
Written off	(23,094)	-
At 31 December	4,325	27,419

Non-trade receivables that are individually determined to be impaired at the reporting date relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

29. Cash and bank balances

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash at banks and on hand	4,695	3,235	3,055
Deposits with licensed banks	35,475	18,216	12,772
Cash and bank balances (Note 38)	40,170	21,451	15,827
Less: Bank overdrafts (Note 31)	(20,627)	(21,519)	(20,372)
Cash and cash equivalents	19,543	(68)	(4,545)

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash at banks and on hand (Note 38)	2	-	-
Less: Bank overdrafts (Note 31)	(7,631)	(8,512)	(9,419)
Cash and cash equivalents	(7,629)	(8,512)	(9,419)

Included in cash at banks of the Group is an amount of RM1,381,000 (2011: RM285,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

Deposits with licensed banks of the Group are pledged to banks to secure banking facilities granted to the Group as disclosed in Note 31.

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For The Year Ended 31 December 2012 (Cont'd)

29. Cash and bank balances (continued)

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2012 for the Group was 3.04% (2011: 3.06%) per annum.

30. Other current assets

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Advances to transport provider	962	1,988	989
Advanced payment to trade suppliers	146	-	-
Deposits paid for acquisition of property, plant and equipment	5	681	-
Prepayments	973	1,107	1,170
	2,086	3,776	2,159

31. Loans and borrowings

		Group		
	Maturity	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Current				
Secured:				
Bank overdrafts (Note 29)	On demand	20,627	21,519	20,372
Bankers' acceptances	2013	36,845	39,520	45,940
Revolving credits	2013	100,515	66,969	87,482
Trust receipts	2013	8,161	8,159	8,168
Term loans	2013	9,926	8,374	10,511
Finance lease obligations (Note 37)	2013	1,910	1,262	1,647
		177,984	145,803	174,120
Non-current				
Secured:				
Term loans	2014 to 2022	60,255	54,901	34,043
Finance lease obligations (Note 37)	2014 to 2017	3,715	1,761	2,123
		63,970	56,662	36,166
Total loans and borrowings		241,954	202,465	210,286

31. Loans and borrowings (continued)

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Comprising:			
- Finance lease obligations	5,625	3,023	3,770
- Financial liabilities at fair value through profit or loss (Note 38)	236,329	199,442	206,516
	241,954	202,465	210,286

The remaining maturities of the borrowings are as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
On demand or within 1 year	177,984	145,803	174,120
Later than 1 year and not later than 2 years	11,360	8,570	7,203
Later than 2 years and not later than 5 years	39,048	30,004	17,847
Later than 5 years	13,562	18,088	11,116
	241,954	202,465	210,286

		Company		
	Maturity	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Current				
Secured:				
Bank overdrafts (Note 29)	On demand	7,631	8,512	9,419
Term loans	2013	1,327	1,708	3,025
Total loans and borrowings (Note 38)		8,958	10,220	12,444

The remaining maturities of the borrowings as at 31 December 2012 are as follows:

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
On demand or within 1 year	8,958	10,220	12,444
	8,958	10,220	12,444

31. Loans and borrowings (continued)

Bank overdrafts and revolving credits

Bank overdrafts and revolving credits are denominated in RM, bear interest at base lending rate ("BLR") + 2.55% and BLR + 1.50% per annum, on an average of 9.15% and 8.10% (2011: 8.01% and 8.10%) per annuam respectively.

Bankers' acceptances and trust receipts

These are used to finance purchases of the Group denominated in RM and are short term in nature. The weighted average effective interest rate are 4.83% and 9.10% (2011: 4.05% and 9.60%) per annum respectively.

Term loans

The term loans were obtained for the purposes of construction of layer farms and broiler house, purchases of property and shoplots, and for working capital. The loans are repayable over a period of 10 years. The weighted average effective interest rate is 8.08% (2011: 7.69%) per annum.

Finance lease obligations

These obligations are secured by a charge over the leased assets (Note 16). The average discount rate implicit in the leases is 4.54% (2011: 3.93%) per annum.

The borrowings of the Group are secured by way of fixed and floating charges over certain assets and also negative pledges over certain assets as disclosed in Notes 16 and 29. The borrowings of the subsidiaries are additionally guaranteed by the Company.

The term loans of the Company are additionally secured by the following:

(i) Corporate guarantees from the Company's certain existing operating subsidiaries;

(ii) Undertaking by the holding company to fully repay the facilities should the Company be unable to meet its obligations;

(iii) Cross defaults, rights of set-off, negative pledges and pari passu ranking with all other debts of the Company, except where the obligations are preferred by applicable laws.

32. Trade and other payables

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Trade payables			
Third parties	30,107	28,157	26,446
Retention sum	1,253	3,205	3,454
	31,360	31,362	29,900
Other payables			
Amounts due to related companies	362	361	1,300
Third party	28,625	13,632	19,889
Accrued operating expenses	6,763	6,451	6,508
	35,750	20,444	27,697
Total trade and other payables (Note 38)	67,110	51,806	57,597

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Non-trade payables			
Amounts due to related companies	5,804	6,346	5,955
Third party	285	-	-
Accrued operating expenses	109	291	299
Total other payables (Note 38)	6,198	6,637	6,254

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 (2011: 30 to 90) days terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of six months (2011: average term of six months).

(c) Amounts due to related companies

The amounts are unsecured, non-interest bearing and repayable on demand.

33. Share capital

	Group and Company		
	31.12.2012	**31.12.2011**	**01.01.2011**
Authorised			
Shares of RM1 each ('000)	500,000	500,000	500,000
Shares of RM1 each (RM'000)	500,000	500,000	500,000

	Group and Company		
	31.12.2012	**31.12.2011**	**01.01.2011**
Issued and fully paid			
Ordinary shares of RM1 each ('000)	55,530	55,530	55,530
Ordinary shares of RM1 each (RM'000)	55,530	55,530	55,530

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

34. Share premium

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium in prior years.

35. Other reserves

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Foreign currency translation reserve	(436)	(350)	(321)
Minority discount on acquisition of non-controlling interest	68	68	-
	(368)	(282)	(321)

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record exchange differences arising from monetary items which forms part of Group's net investment in foreign operations until the disposal of the foreign operations, at which time they are recognised in profit or loss.

35. Other reserves (continued)

(b) Minority discount on acquisition of non-controlling interest

The minority discount on acquisition of non-controlling interest represents differences between the consideration and the book value of the interest acquired from non-controlling interest.

36. Related party transactions

Transactions entered in the normal course of business and established upon negotiated terms and conditions with related parties during the year were as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
With other related parties		
Rental paid to a director of a subsidiary	32	32
Companies connected to certain directors:		
- Transport charges	66	17
- Purchases	23	-

	Company	
	2012	**2011**
	RM'000	**RM'000**
With subsidiaries		
Advances from subsidiaries	2,541	2,400
Advances to subsidiaries	2,272	1,247
Repayment through contra within subsidiaries	1,663	509
Payments on behalf for subsidiaries	-	54
Payments on behalf by subsidiaries	265	287
Gross dividend from subsidiaries	1,878	1,820
Interest recouped from subsidiaries	179	122
Interest recouped by a subsidiary	148	-
Allocation of centralised service costs by subsidiaries	390	336

Compensation of key management personnel

The remuneration of key management personnel is disclosed in Note 12.

37. Commitments

(a) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, office equipment and plant and machinery (Note 16). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

37. Commitments (continued)

(a) Finance lease commitments (continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Minimum lease payments:			
Not later than 1 year	2,324	1,434	1,865
Later than 1 year but not later than 2 years	1,874	985	1,189
Later than 2 years but not later than 5 years	1,836	1,131	1,121
Total minimum lease payments	6,034	3,550	4,175
Less: Amounts representing finance charges	(409)	(527)	(405)
Present value of minimum lease payments	5,625	3,023	3,770
Present value of payments:			
Not later than 1 year	1,910	1,262	1,647
Later than 1 year but not later than 2 years	1,704	892	1,069
Later than 2 years but not later than 5 years	2,011	869	1,054
Present value of minimum lease payments	5,625	3,023	3,770
Less: Amount due within 12 months (Note 31)	(1,910)	(1,262)	(1,647)
Amount due after 12 months (Note 31)	3,715	1,761	2,123

(b) Operating lease commitments - as lessee

Other commitments are in respect of non-cancellable operating lease arrangements for the use of land, buildings and farm equipments. These leases have an average life of 10 years with a renewal option to extend for a further 3 years at a rental to be re-negotiated.

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date are as follows:

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Not later than 1 year	-	1,875
Later than 1 year but not later than 5 years	-	3,134
	-	5,009

37. Commitments (continued)

(c) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
Approved and contracted for:		
Property, plant and equipment	198	5,402

38. Fair values of financial assets and liabilities

Set out below are the carrying amounts of the Group's and of the Company's financial instruments that are carried in the financial statements:

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Financial assets				
Quoted investments carried at fair value	21	25	25	26
Trade and other receivables	28	153,621	140,878	140,384
Cash and bank balances	29	40,170	21,451	15,827
Total loans and receivables carried at amortised cost		193,791	162,329	156,211
		193,816	162,354	156,237
Financial liabilities				
Trade and other payables carried at amortised cost	32	67,110	51,806	57,597
Borrowings carried at fair value through profit or loss	31	236,329	199,442	206,516
		303,439	251,248	264,113

Company	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Financial assets				
Trade and other receivables	28	10,662	15,697	16,622
Cash and bank balances	29	2	-	-
Total loans and receivables carried at amortised cost		10,664	15,697	16,622
Financial liabilities				
Borrowings carried at fair value through profit or loss	31	8,958	10,220	12,444
Non-trade payables carried at amortised cost	32	6,198	6,637	6,254
		15,156	16,857	18,698

38. Fair values of financial assets and liabilities (continued)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The fair value of quoted investments is based on market price quotations at the reporting date.

(b) The carrying amounts of trade and other receivables, cash and bank balances, trade and other payables approximate their fair values in view of the insignificant effect of discounting due to their short-term maturity periods.

(c) The fair values of borrowings are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

As at 31 December 2012, the Group and the Company held the following financial instruments carried at fair value on the statement of financial position:

The Group and the Company use 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)

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
As at 31 December 2012			
Assets measured at fair value			
Quoted investments at fair value through profit or loss	25	-	25
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	236,329	236,329
As at 31 December 2011			
Assets measured at fair value			
Quoted investments at fair value through profit or loss	25	-	25
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	199,442	199,442

38. Fair values of financial assets and liabilities (continued)

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
As at 1 January 2011			
Assets measured at fair value			
Quoted investments at fair value through profit or loss	26	-	26
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	206,516	206,516
Company			
As at 31 December 2012			
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	8,958	8,958
As at 31 December 2011			
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	10,220	10,220
As at 1 January 2011			
Liabilities measured at fair value			
Borrowings carried at fair value through profit or loss	-	12,444	12,444

During the reporting periods ended 31 December 2011 and 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

39. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's key management personnel. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

39. Financial risk management objectives and policies (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including quoted investments and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk:

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) The carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values; and

(ii) A nominal amount of RM222,263,000 (2011: RM188,031,000) relating to a corporate guarantee provided by the Company to financial institutions for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 28(a).

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial asset except for the Company's exposure to amounts due from its holding company and subsidiaries which account for almost 100% (2011: 100%) of the gross receivables of the Company.

Financial assets that are neither pass due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 28. Deposits with licensed banks and quoted investment are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either pass due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 28.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from the capital market and financial institutions. The Group prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness and where necessary, re-schedules the repayment terms of certain borrowings to ease cash flow commitments.

Analysis of financial instruments by remaining contractual maturities

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2012				
Trade and other payables	67,110	-	-	67,110
Bank borrowings	183,755	61,557	16,813	262,125
Total undiscounted financial liabilities	250,865	61,557	16,813	329,235
As at 31 December 2011				
Trade and other payables	51,806	-	-	51,806
Bank borrowings	150,815	52,318	19,405	222,538
Total undiscounted financial liabilities	202,621	52,318	19,405	274,344
As at 1 January 2011				
Trade and other payables	57,597	-	-	57,597
Bank borrowings	176,988	31,109	13,030	221,127
Total undiscounted financial liabilities	234,585	31,109	13,030	278,724
Company				
As at 31 December 2012				
Trade and other payables, excluding financial guarantees *	6,198	-	-	6,198
Bank borrowings	8,958	-	-	8,958
Total undiscounted financial liabilities	15,156	-	-	15,156

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
As at 31 December 2011				
Trade and other payables, excluding financial guarantees *	6,637	-	-	6,637
Bank borrowings	10,220	-	-	10,220
Total undiscounted financial liabilities	16,857	-	-	16,857
As at 1 January 2011				
Trade and other payables, excluding financial guarantees *	6,254	-	-	6,254
Bank borrowings	12,444	-	-	12,444
Total undiscounted financial liabilities	18,698	-	-	18,698

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings and actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate hikes. Except for finance lease payables whose interest rates are fixed until maturity, the other interest-bearing financial instruments are subject to floating interest rates which are contractually repriced at intervals of less than 6 months except for term loans which are repriced annually.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM1,182,000 (2011: RM997,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

39. Financial risk management objectives and policies (continued)

(d) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from purchases that are denominated in United States Dollar ("USD") and from sales that are denominated in Singapore Dollars ("SGD").

The net unhedged financial assets and financial liabilities for the Group companies that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies		
Group	**USD RM'000**	**SGD RM'000**	**Total RM'000**
As at 31 December 2012			
Trade and other payables	(1,220)	-	(1,220)
Borrowings	(1,327)	-	(1,327)
	(2,547)	-	(2,547)
As at 31 December 2011			
Trade and other receivables	406	-	406
Cash and bank balances	-	3	3
Trade and other payables	(1,278)	-	(1,278)
Borrowings	(1,708)	-	(1,708)
	(2,580)	3	(2,577)
Company			
As at 31 December 2012			
Borrowings	(1,327)	-	(1,327)
As at 31 December 2011			
Borrowings	(1,708)	-	(1,708)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and SGD exchange rates at the reporting date against the RM, with all other variables held constant.

39. Financial risk management objectives and policies (continued)

(d) Foreign exchange risk (continued)

	Group Increase/(decrease)		Company Increase/(decrease)	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
USD - strengthened by 5%	(124)	(129)	(63)	(85)
- weakened by 5%	124	129	63	85
SGD - strengthened by 5%	-	-	-	-
- weakened by 5%	-	-	-	-

40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to owners of the parent.

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Borrowings	241,954	202,465	210,286
Trade and other payables	67,110	51,806	57,597
Cash and bank balances	(40,170)	(21,451)	(15,827)
Net debt	268,894	232,820	252,056
Equity attributable to owners of the parent	81,607	91,223	81,549
Total capital	81,607	91,223	81,549
Capital and net debt	350,501	324,043	333,605
Gearing ratio	77%	72%	76%

40. Capital management (continued)

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Borrowings	8,958	10,220	12,444
Trade and other payables	6,198	6,637	6,254
Cash and bank balances	(2)	-	-
Net debt	15,154	16,857	18,698
Equity attributable to owners of the parent	75,290	75,228	74,920
Total capital	75,290	75,228	74,920
Capital and net debt	90,444	92,085	93,618
Gearing ratio	17%	18%	20%

41. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(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) Housing development - This consists of development and construction of residential and commercial properties.

(iii) Other business segments include investment holding and provision of management services, and trading of chemicals, medication and related equipment, none of which are of a sufficient size to be reported separately.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on negotiated and mutually agreed terms.

All revenue and non-current assets information of the Group are attributed to Malaysia.

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

41. Segment information (continued)

31 December 2012

	Poultry RM'000	Housing development RM'000	Others RM'000	Eliminations RM'000	Notes	Consolidated RM'000
Revenue						
External sales	377,201	16,720	6,593	-		400,514
Inter-segment sales	746,905	9,904	10,812	(767,621)	A	-
Total revenue	1,124,106	26,624	17,405	(767,621)		400,514
Results						
Interest income	541	41	-	-		582
Depreciation and amortisation	9,164	152	304	-		9,620
Share of results of associates	(101)	-	(169)	(311)		(581)
Segment (loss)/profit	(1,101)	1,282	625	(8,950)	B	(8,144)
Assets						
Investment in associates	2,090	-	1,286	(2,120)		1,256
Additions to non-current assets	34,180	282	292	-	C	34,754
Segment assets	521,750	55,521	115,551	(284,988)	D	407,834
Liabilities						
Segment liabilities	456,303	33,326	58,714	(228,776)	E	319,567

31 December 2011

	Poultry RM'000	Housing development RM'000	Others RM'000	Eliminations RM'000	Notes	Consolidated RM'000
Revenue						
External sales	385,718	15,717	6,327	-		407,762
Inter-segment sales	676,318	9,767	5,342	(691,427)	A	-
Total revenue	1,062,036	25,484	11,669	(691,427)		407,762
Results						
Interest income	318	-	-	-		318
Depreciation and amortisation	8,692	104	164	-		8,960
Share of results of associates	116	-	(63)	-		53
Segment profit	22,076	4,112	342	(10,490)	B	16,040
Assets						
Investment in associates	3,983	-	931	(1,539)		3,375
Additions to non-current assets	6,868	292	1	-	C	7,161
Segment assets	457,959	54,510	114,766	(265,433)	D	361,802
Liabilities						
Segment liabilities	386,215	36,444	58,619	(216,545)	E	264,733

41. Segment information (continued)

A Inter-segment revenues are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated statement of comprehensive income.

	31.12.2012 RM'000	31.12.2011 RM'000
Share of results of associate	(581)	53
Finance costs	(19,704)	(13,995)
	(20,285)	(13,942)

C Additions to non-current assets consist of:

	31.12.2012 RM'000	31.12.2011 RM'000
Property, plant and equipment	34,754	7,161

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	31.12.2012 RM'000	31.12.2011 RM'000
Deferred tax assets	4,159	2,602
Tax recoverable	1,406	1,787
Investments in associate	1,256	3,375
Goodwill	4,462	8,556
	11,283	16,320

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	31.12.2012 RM'000	31.12.2011 RM'000
Deferred tax liabilities	10,327	8,666
Income tax payable	176	1,796
Loans and borrowings	241,954	202,465
	252,457	212,927

Notes to the Financial Statements

For The Year Ended 31 December 2012 (Cont'd)

42. Subsequent event

On 3 April 2013, the Company proposed to undertake a private placement of up to 5,553,000 ordinary shares of RM1.00 each in the Company ("Placement Shares"), representing approximately ten percent (10%) of the issued and paid-up share capital of the Company together with up to 22,212,000 free detachable warrants ("Placement Warrants") on the basis of four (4) Placement Warrants for every one (1) Placement Share subscribed ("Proposed Private Placement of Shares with Warrants").

The issue price of the Placement Shares and the exercise price of the Placement Warrants are to be fixed by the directors at a later date after the receipt of approvals from Bursa Malaysia, Controller of Foreign Exchange, the shareholders of the Company and any other relevant regulatory authorities and/or persons, if required.

The proceeds from the issue of Placement Shares will be utilised for the purchase of raw materials for the Group whilst the proceeds from the exercise of the Placement Warrants shall be utilised for working capital and/or repayment of the bank borrowings (if any) of the Group.

The Placement Shares and the new shares to be issued upon exercise of the Placement Warrants will, upon allotment and issue, rank pari passu in all respects with the existing shares of the Company, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issue of the Placement Shares and the new Shares arising from the exercise of Placement Warrants.

The holders of the Placement Warrants will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in the Company until and unless such holders of the Placement Warrants exercise their Placement Warrants into new shares in the Company.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 25 April 2013.

44. Supplementary information Breakdown of realised and unrealised profits and losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2012 into realised and unrealised profits and losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

		Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Total accumulated losses of the Company and its subsidiaries:			
- Realised	94,741	84,824	103,179
- Unrealised	3,983	3,959	(510)
	98,724	88,783	102,669
Total share of accumulated losses of associates			
- Realised	2,270	732	785
	100,994	89,515	103,454
Less: Consolidation adjustments	(64,798)	(62,849)	(67,153)
Accumulated losses as per financial statements	36,196	26,666	36,301

		Company	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Total accumulated losses of the Company:			
- Realised	42,881	42,943	43,251
Accumulated losses as per financial statements	42,881	42,943	43,251

Statistics on Shareholdings

As At 3 May 2013

AUTHORISED SHARE CAPITAL	:	RM 500,000,000
ISSUED AND FULLY PAID UP CAPITAL	:	RM 55,530,263
CLASS OF SHARES	:	ORDINARY SHARES OF RM 1.00 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholdings	%	No. of Shares	%
Less than 100	123	5.69	1,672	0.00
100 to 1,000	498	23.02	340,213	0.61
1,001 to 10,000	1,107	51.18	5,088,213	9.16
10,001 to 100,000	380	17.57	12,323,563	22.19
100,001 to less than 5% of issued shares	52	2.40	9,330,902	16.81
5% of issued shares and above	3	0.14	28,445,700	51.23
Total	2,163	100.00	55,530,263	100.00

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1	JF APEX Nominees (Tempatan) Sdn Bhd AEH Capital Sdn Bhd for F.C.H. Holdings Sdn Bhd	15,000,000	27.01
2	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG London (PB Priam)	7,885,900	14.20
3	JF APEX Nominees (Tempatan) Sdn Bhd Pledged Securities Account for F.C.H. Holdings Sdn Bhd (MARGIN)	5,559,800	10.01
4	Onn Kok Puay (Weng Guopei)	483,700	0.87
5	MAYBANK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siew Leong	380,000	0.68
6	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Boon Poh (008)	350,000	0.63
7	Low Ah Lin	350,000	0.63
8	MERCSEC Nominees (Tempatan) Sdn Bhd F.C.H. Holdings Sdn Bhd	348,705	0.63
9	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong (E-TMR)	300,000	0.54
10	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Teck Lee	298,000	0.54

Statistics on Shareholdings

As At 3 May 2013 (Cont'd)

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
11	Lim Pang Hoo	291,300	0.52
12	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwong Ming Kwei (08KW032ZQ-008)	239,000	0.43
13	Tan Yong Chiow	230,000	0.41
14	Teo Kim Fai	210,000	0.38
15	Chiang Siew Eng @ Le Yu Ak Ee	201,000	0.36
16	Khoo Ting Hock	200,000	0.36
17	Lai Thiam Poh	199,000	0.36
18	Hoh Suay Chuan @ Oo Sin	195,000	0.35
19	MAYBANK Nominees (Tempatan) Sdn Bhd Chong Yoon Loong	186,400	0.34
20	Chong Mei	183,000	0.33
21	Teh Sen Siew	180,300	0.32
22	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lian Hong	179,800	0.32
23	HSBC Nominees (Tempatan) Sdn Bhd Ng Song Hey (HBMB301-67)	178,000	0.32
24	Lee Tiow Ghee	170,000	0.31
25	Tay Ah Siah	163,000	0.29
26	Koay Chee Hong	160,000	0.29
27	Chang Hiong	155,000	0.28
28	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Chin Hua (T MLKRaya-CL)	155,000	0.28
29	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rajinder Kaur A/P Piara Singh (MI1280-003)	149,000	0.27
30	Lim Chun Bin	141,500	0.25
TOTAL		**34,722,405**	**62.51**

Statistics on Shareholdings

As At 3 May 2013 (Cont'd)

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	SHAREHOLDINGS			
Name	**Direct**	**%**	**Indirect**	**%**
Datuk Hj. Zainal Bin Hj. Shamsudin	-	-	-	-
Dato' Fong Kok Yong	-	-	20,908,505*	37.65
Datuk Fong Kiah Yeow	108,000	0.19	20,908,505*	37.65
Fong Ngan Teng	-	-	20,908,505*	37.65
Fong Choon Kai	-	-	20,908,505*	37.65
Ng Cheu Kuan	-	-	-	-
Datuk Ng Peng Hay @ Ng Peng Hong	-	-	-	-
Tuan Haji Baharom Bin Abd. Wahab	4,500	0.01	-	-
Mohd Khasan Bin Ahmad	-	-	-	-

* Deemed interest by virtue of his interest in F.C.H. Holdings Sdn Bhd.

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	SHAREHOLDINGS			
Name	**Direct**	**%**	**Indirect**	**%**
F.C.H. Holdings Sdn Bhd	20,908,505	37.65	-	-
Dato' Fong Kok Yong	-	-	20,908,505*	37.65
Datuk Fong Kiah Yeow	108,000	0.19	20,908,505*	37.65
Fong Ngan Teng	-	-	20,908,505*	37.65
Fong Choon Kai	-	-	20,908,505*	37.65
Priam Holdings Limited	7,885,900	14.20	-	-

* Deemed interest by virtue of his interest in F.C.H. Holdings Sdn Bhd.

List of Properties

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
THE COMPANY AND 100% OWNED SUBSIDIARIES				
Lot No. 799 & 800 GRN 5523 & 5524 Mukim of Sungai Siput District of Alor Gajah, Melaka	Breeder Farm	Freehold	2 ,666,588	1987
Lot No. 2893 - 2899 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	3,322,838	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	1,815,020	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah, Melaka	Breeder Farm	Freehold	1,130,917	1981
Lot 3689, 640, 639, 959, 1854, 3688 & 3687 GM 575, 1379, 1418, 91168, 4926, 53072 & 53077 Mukim of Lenga, District of Muar Johor	Breeder Farm	Freehold	1,233,709	1996
Lot 458 & 459 GRN 60152 & 60151 Mukim of Tebong District of Tampin Negeri Sembilan	Breeder Farm	Freehold	985,609	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat, Johor	Broiler Farm	Freehold	1,702,059	1995
Lot No. 4160 & 4161 GM 2548 and GM 2547 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,304,938	2011
Lot 4163, GM 1799 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1 ,326,679	2011

List of Properties
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
MLO 8663 H.S.(D) 2631 Mukim Sembrong, Johor	Broiler Farm	Freehold	532,080	1995
Lot 647 Mukim Tanjong Minyak, Melaka	Vacant Land	Freehold	849,271	1996
P.T. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya, Melaka	3 1/2 Storey Intermediate shoplot	Leasehold (Expiring in 2075)	357,005	2003
Lot 1599, C.T. 6270 Port Dickson, Negeri Sembilan	Broiler Farm	Freehold	1,556,412	1995
GM2404, Lot No. 4967 Mukim Triang Ilir District of Jelebu Negeri Sembilan	Broiler Farm	Freehold	926,613	1995
Taman Mewah Alor Gajah, Melaka	6 Units of 2- bedroom Apartment	Leasehold (Expiring in 2091)	120,381	1995
PTD 64217 H.S.(D) 208128 Mukim Tebrau, Johor	1 1/2 Storey Terrace Factory	Freehold	289,810	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	474,606	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	3,785,672	1994
Lot 3, 4 & 5 Masjid Tanah Ind. Estate Masjid Tanah, Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2095)	9,458,683	1995
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat, Johor	Broiler Farm	Freehold	416,062	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII Batu Pahat, Johor	Broiler Farm	Freehold	587,096	1997

List of Properties
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Holding No. 2628, SG574/62 Mukim Sungei Baru Tengah Alor Gajah, Melaka	Industrial Land	Freehold	910,944	1997
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	658,430	2006
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	445,154	2005
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of 3 bedrooms apartment apartment	Freehold	291,520	1998
H.S.(D) 43175, Lot No PT2113 Mukim of Krubong District of Melaka Tengah State of Melaka	Held for development	Freehold	5,101,699	2006
PTD 2163, H.S.(D) 5124 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	891,231	1997
PTD 2164, H.S.(D) 5125 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	1,341,421	1997
PTD 2165, H.S.(D) 5126 Mukim Grisek District of Muar, Johor	Agricultural land	Freehold	315,736	1997
PTD 2166, H.S.(D) 5127 Mukim Grisek District of Muar, Johor	Agricultural land	Freehold	198,931	1997
PTD 2167, H.S.(D) 5128 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	923,292	1997
PTD 2168, H.S. (D) 5129 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	951,393	1997

List of Properties
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
PTD 2169, H.S. (D) 5130 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	589,900	1997
PTD 2170, H.S. (D) 5131 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	678,873	1997
PTD 2171, H.S. (D) 5132 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	438,133	1997
PTD 6321 Grant 4778 Mukim Grisek District of Muar, Johor	Layer farm	Freehold	409,825	1997
H.S. (D) 302891, Lot No. PTD 15511 Mukim of Sedenak District of Johor Bahru State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	6,870	2000
H.S. (D) 44849, Lot No. PTD 16818 Mukim of Bukit Batu District of Kulaijaya State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	547,947	2008
H.S.(M) 1184, 1243, & 1244 Lot Nos. MLO 1367, 7119 & 7120 Kuala Kabong 1 Mukim of Bukit Baru District of Kulaijaya, Johor	Broiler farm	Leasehold (99 years)	517,346	2009
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah, Melaka	Double storey shophouse	Freehold	156,239	2006
Lot 345 & 346 GRN 76358 & 76359 Mukim of Keru District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,759,720	2012
Lot 423, GRN 20691 Mukim of Jelai District of Jempol Negeri Sembilan	Broiler Farm	Freehold	2,636,400	2012

List of Properties
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Lot 4071 & 2691 GM 415 & 51 Mukim of Jementah District of Segamat Johor	Broiler Farm	Freehold	1,578,150	2012
Lot 1075/5 H.S. (M) 4096 Mukim of Bukit Serampang District of Ledang Johor	Broiler Farm	Freehold	1,454,200	2012
Plot No. 170 & 171 H.S. (M) 586 & 500 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,296,931	2012
Lot 3733 & 3734 GM 2481 & 2482 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,257,700	2012
Lot 3200 & 3201 GRN 163132 & GRN 163133 Mukim Titian Bintangor District of Rembau Negeri Sembilan	Broiler Farm	Freehold	1,316,132	2012
Lot 967 & 968 GRN 29154 & GRN 29155 Mukim of Semerbok District of Rembau Negeri Sembilan	Broiler Farm	Freehold	1,584,556	2012
Lot 5541, GRN 19254 Mukim of Port Dickson District of Port Dickson Negeri Sembilan	Broiler Farm	Freehold	1,749,740	2012
Lot 4671 & 4672 GRN 71818 & 71819 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,838,298	2012

List of Properties
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Lot 1105 & 1106 GM 3228 & 3229 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,863,304	2012
MLO 5436, MLO 5437 Lot 1639 & Lot 3523 H.S. (D) 2447, H.S. (D) 2448 GM 1333 & GM 364 Mukim of Lenga District of Muar Johor	Broiler Farm	Freehold	2,098,682	2012
Lot 663/5 & 664/5 H.S. (M) 4271 & H.S. (M) 4834 Mukim of Bukit Serampang District of Ledang Johor	Broiler Farm	Freehold	1,822,008	2012
PT 371 & Lot 2210 H.S. (D) 3512 & GRN 46887 Mukim of Tabong Naning District of Alor Gajah Melaka	Broiler Farm	Freehold	3,231,180	2012
JOINT VENTURE SUBSIDIARIES				
Lot 1310, GN 47071 Minyak Beku 6 Batu Pahat, Johor	Poultry processing plant & coldrooms / office block	Freehold	2,476,152	1991
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat, Johor	Broiler farm	Freehold	165,794	1995
Lot 3233, EMR 5066 Minyak Beku 6 Batu Pahat, Johor	Broiler farm	Freehold	601,939	1997
Lot 1730, CT 2851 Bandar Penggaram District of Batu Pahat, Johor	Double storey terrace shophouse	Freehold	276,885	1998

Additional Compliance Information

1. **Corporate Proposals And Utilisation Of Proceeds**

   Subsequent to the financial year ended 31 December 2012, the Company had announced a corporate proposal as explained in the Chairman's Statement on page 17 of this Annual Report.

2. **Share Buy-back**

   During the financial year, there was no share buy-back by the Company.

3. **Options or Convertible Securities**

   There were no new options or convertible securities issued during the financial year.

4. **Depository Receipt Programme**

   The Company did not sponsor any depository receipt programme during the financial year.

5. **Imposition of Sanctions and/or Penalties**

   There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by any regulatory bodies for the financial year ended 31 December 2012 except for traffic offences.

6. **Non-Audit Fees**

   The total amount of non-audit fees paid or payable to the external auditors and their affiliated companies by the Company for the financial year ended 31 December 2012 amounted to RM136,000.

7. **Variation in Results**

   There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 27 February 2013 announcement of unaudited results for the financial year ended 31 December 2012 and the audited financial statements of the Group for the financial year ended 31 December 2012.

8. **Profit Guarantee**

   The Company did not give any profit guarantee during the financial year.

9. **Material Contracts**

   There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year.

10. **Revaluation Policy on Landed Properties**

    The Company did not adopt any revaluation policy on landed properties during the financial year.

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NINETEENTH ANNUAL GENERAL MEETING
FORM OF PROXY

FARM'S BEST BERHAD
(301653-V)

No. of shares held	

I/We ____
(Full Name in Capital Letters)
of ____
(Full Address)
being a member of FARM'S BEST BERHAD hereby appoint ______________________
(Full Name in Capital Letters)
of ____
(Full Address)
or failing him/her, ______________________ of ______________________
(Full Name in Capital Letters)
____
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Thursday, 27 June 2013 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Resolution No.	Ordinary Business	For	Against
Ordinary Resolution 1	To receive the Audited Financial Statements and Directors' and Auditors' Reports.		
Ordinary Resolution 2	To approve the payment of Directors' fees.		
Ordinary Resolution 3	To re-elect Dato' Fong Kok Yong as Director.		
Ordinary Resolution 4	To re-elect Mr Ng Cheu Kuan as Director.		
Ordinary Resolution 5	To re-elect Datuk Hj.Zainal Bin Hj. Shamsudin as Director.		
Ordinary Resolution 6	To re-appoint Tuan Haji Baharom Bin Abd Wahab as Director.		
Ordinary Resolution 7	To re-appoint Messrs Ernst & Young as the Company's Auditors.		
Resolution No.	**Special Business**	**For**	**Against**
Ordinary Resolution 8	To re-appoint Tuan Haji Baharom Bin Abd Wahab as Independent Non-Executive Director.		
Ordinary Resolution 9	To re-appoint En Mohd Khasan Bin Ahmad as Independent Non-Executive Director.		
Ordinary Resolution 10	Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965		

Dated this ______ day of ________________ , 2013.

____
(Signature/Common Seal of Shareholder)

Notes :-

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

(ii) Where a member appoints two (2) or more poxies, the appointment shall not be valid unless he (she) specifies the proportion of his (her) shareholdings to be represented by each proxy.

(iii) The Proxy Form shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its authorised attorney or officers.

(iv) The instrument appointing a proxy shall be deposited at the office of the Company's Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

(v) For the purpose of determining a member who shall be entitled to attend and vote in the forthcoming Nineteenth Annual General Meeting, the Company shall be requesting the Record of Depositors in accordance with Article 71(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 June 2013. Only a depositor whose name appears on the Record of Depositors as at 20 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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Stamp

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

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Farm's Best Depots / Offices In Peninsular Malaysia And Overseas Offices

FARM'S BEST BERHAD
(301653-V)

DEPOTS

RAWANG 1
25, Jalan BJ 7
Taman Perindustrian Belmas Johan
48000 Rawang, Selangor
Tel : 03-6092 2024
Fax: 03-6091 9936

RAWANG 2
1, Jalan BJ 7
Taman Perindustrian Belmas Johan
48000 Rawang, Selangor
Tel : 03-6093 2997
Fax: 03-6091 6819

SEREMBAN
No. 1, Taman Harapan Baru
Jalan Rasah
70300 Seremban
Negeri Sembilan
Tel : 06-632 5708
Fax: 06-632 5706

BUTTERWORTH
No. 8, (Plot 48)
Taman Industri Beringin @
Juru Industrial Park
Juru Mukim 13
Seberang Prai Tengah
14100 Pulau Pinang
Tel : 04-507 6449
Fax: 04-507 7068

TEMERLOH
53, Jalan Ahmad Shah
28000 Temerloh
Pahang
Tel : 09-296 8223
Fax: 09-296 6223

KUANTAN
B-32, Jalan Air Putih
25300 Kuantan
Pahang
Tel : 09-567 0223
Fax: 09-567 0221

JOHOR BAHRU
9, Jalan Bayu 2/5
Taman Perindustrian Tampoi Jaya
81200 Johor Bahru, Johor
Tel : 07-235 0310
Fax: 07-235 0306

MARKETING OFFICE

RAWANG
28, Jalan BJ 6
Taman Perindustrian Belmas Johan
48000 Rawang, Selangor
Tel : 03-6092 6077
Fax: 03-6092 3908

REPRESENTATIVE OFFICES

KOTA BHARU
No. 11, Jalan Hospital
Kedai MPKB, Barek 12
15200 Kota Bharu
Kelantan

MELAKA
No. 1-12, Block Dahlia 2
Jalan Zahir 6
Taman Malim Jaya
75250 Melaka

IPOH
80, Jalan Leong Boon Siew
30000 Ipoh, Perak

OVERSEAS ADDRESSES

CHIX UNLIMITED INC.
Brgy. Casilagan, Mangatarem
Pangasinan 2413, Philippines
Tel : 00 639 737 54004
Fax: 00 639 737 54004

FB FOOD (NANJING) PTE LTD
SM ENTERPRISE (NANJING) PTE LTD
Room 5212, 25th Floor
Jiangsu International Mansion
50 Zhong Hua Lu
Nanjing, Jiangsu 210001 China
Tel : 0086 25-8468 0456
Fax: 0086 25-8468 0326

www.farmsbest.com.my

FARM’S BEST BERHAD
(301653-V)

Alor Gajah Industrial Estate
78000 Alor Gajah, Melaka
Tel: 06-556 1293
Fax: 06-556 2445