

FARM'S BEST BERHAD

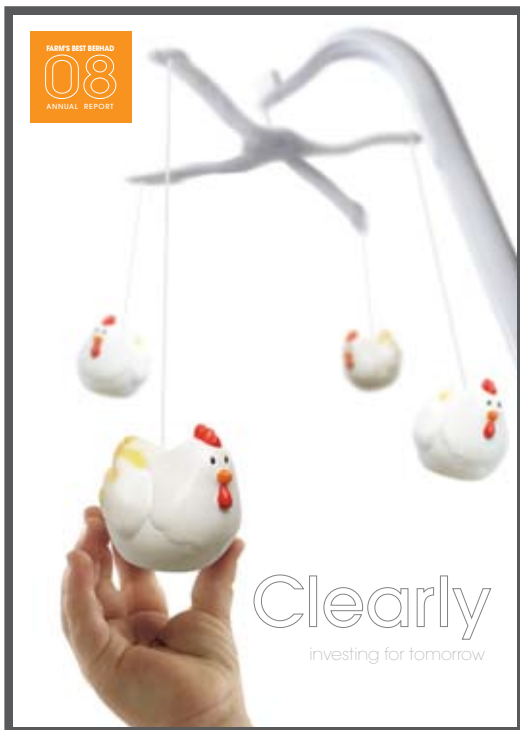
08

ANNUAL REPORT



# Clearly

investing for tomorrow



## COVER RATIONALE

As seen, there is a baby's hand reaching for a hanging mobile toy chicken. The baby's hand symbolises the future, and the visual shows the careful and calculated handling of the chicken. The fact that there is a comfortable and known presence of the chicken in a home is parallel to Farm's Best brand presence in every Malaysian household. The cover title, 'Clearly Investing for Tomorrow' is hence self-explanatory: Farm's Best is investing well in its future (leading in to the new cooked food plant project), and investors will also be investing well in their future by investing in Farm's Best.

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	<p><b>3</b> Statement Accompanying Notice of Fifteenth Annual General Meeting</p>			<p><b>4</b> Corporate Structure</p> <p><b>6</b> Corporate Information</p>
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**NOTICE IS HEREBY GIVEN THAT** the Fifteenth Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Monday, 29 June 2009 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 2008 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' fees of RM96,000-00 for the financial year ended 31 December 2008. **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) Datuk Fong Kiah Yeow **Ordinary Resolution 3**
  - (b) Datuk Ng Peng Hay @ Ng Peng Hong **Ordinary Resolution 4**
  - (c) Mr Fong Choon Kai **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**

### SPECIAL BUSINESS :-

To consider and, if thought fit, to pass with or without modification, the following resolution :-

- Ordinary Resolution
6. **Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 8**

**"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 allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may 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 the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**ANY OTHER BUSINESS :-**

7. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

**BY ORDER OF THE BOARD****CHIN NGEOK MUI (MAICSA 7003178)****LIEW SENG AUN (MIA 13109)**

Company Secretaries

Melaka

Date : 5 June 2009

**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 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 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

**Explanatory Notes on Special Business :-****Ordinary Resolution 8****Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution No. 8 proposed under item 6 of the Agenda, if passed, will give the Directors of the Company authority to issue shares in the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The approval is sought to avoid any delay and costs in convening a general meeting for such issuance of shares.

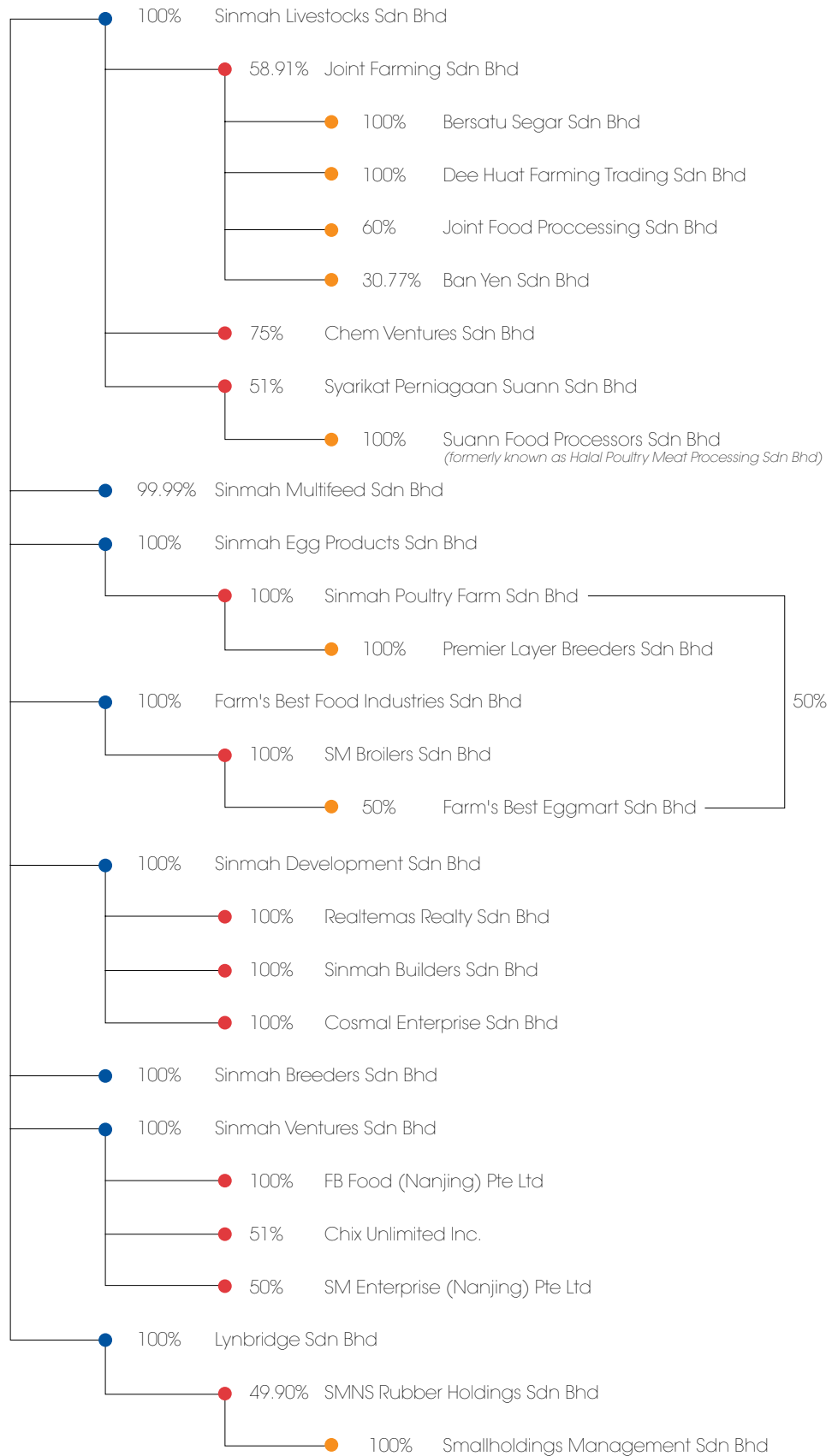
**STATEMENT ACCOMPANYING**

## NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

1. The profiles of the Directors who are standing for re-election are set out on pages 9, 10 and 11 of the Annual Report.
2. The details of the Directors' shareholdings in the Company and its subsidiaries are set out on pages 35 and 93 of the Annual Report.



**FARM'S BEST BERHAD**  
(301653-V)



# Clearly

Planning ahead with innovative products

Farm's Best guarantees you a product in more ways than one. With the highest standards of quality control, product efficiency and the latest in biotechnology, we continue to work tirelessly to make sure you get the best bites out of every bite.



**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
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	<i>Chairman, Independent Non-Executive Director</i>
Haji Baharom Bin Abd Wahab	<i>Independent Non-Executive Director</i>
Mohd Khasan Bin Ahmad	<i>Senior Independent Non-Executive Director</i>

**REMUNERATION COMMITTEE**

Mohd Khasan Bin Ahmad	<i>Chairman, Senior Independent Non-Executive Director</i>
Datuk Hj. Zainal Bin Hj. Shamsudin	<i>Independent Non-Executive Director</i>
Haji Baharom Bin Abd Wahab	<i>Independent Non-Executive Director</i>
Dato' Fong Kok Yong	<i>Managing Director</i>
Datuk Fong Kiah Yeow	<i>Executive Director</i>

**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 26, Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2721 2222  
Fax : 03-2721 2530/1

**COMPANY SECRETARIES**

Chin Ngeok Mui (MAICSA 7003178)  
Liew Seng Aun (MIA 13109)

**AUDITORS****Ernst & Young**

Chartered Accountants  
Lot 1, 6th Floor, Menara Pertam  
Jalan BBP 2  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka  
Tel : 06-336 2399  
Fax : 06-336 2899

**PRINCIPAL BANKERS**

AGROBANK (Bank Pertanian  
Malaysia Berhad)  
Bank Kerjasama Rakyat  
Malaysia Berhad  
Affin Bank Berhad  
EON Bank Berhad  
Hong Leong Bank Berhad

**STOCK EXCHANGE LISTING****Second Board**

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



**DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN**, CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR & CHAIRMAN OF AUDIT COMMITTEE, 62 years of age, Malaysian

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.

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. 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.

During the financial year, in recognition of his contribution to the Malaysian Police Force, Datuk Hj. Zainal was conferred the J.P. (Jaksa Pendamai) by the Yang Di-Pertuan Besar Negeri Sembilan.

As at the date of this annual report, 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 2008.





**DATO' FONG  
KOK YONG**  
MANAGING  
DIRECTOR  
58 years of age  
Malaysian

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 a member of the Remuneration Committee of Farm's Best.

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.

He 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)

Dato' Fong Kok Yong had 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)

During the financial year, in recognition of his efforts and dedication, Dato' Fong Kok Yong was conferred the Darjah Indera Mahkota Pahang (D.I.M.P.) by HRH Sultan Haji Ahmad Shah Al-Musta'ain Billah ibni Al-mahrum Sultan Abu Bakar Ri'ayatuddin Al-Muadzam Shah, the Sultan of Pahang.

As at the date of this annual report, Dato' Fong Kok Yong has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2008.

**DATUK FONG KIAH YEOW**, EXECUTIVE DIRECTOR , 54 years of age, Malaysian

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.

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, 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.

During the financial year, in recognition of his efforts and dedication, Datuk Fong Kiah Yeow was conferred the Darjah Mulia Seri Melaka by His Excellency, the Governor of Melaka.

As at the date of this annual report, Datuk Fong Kiah Yeow has a direct interest of 108,000 shares and an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2008.



**FONG NGAN TENG**  
EXECUTIVE  
DIRECTOR  
51 years of age  
Malaysian

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 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2008.



**FONG CHOON KAI**  
EXECUTIVE  
DIRECTOR  
47 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 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2008.

**NG CHEU KUAN**, EXECUTIVE DIRECTOR , 54 years of age, Malaysian

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 four (4) of the five (5) board meetings held during the financial year ended 31 December 2008.



**DATUK NG PENG HAY @ NG PENG HONG**, EXECUTIVE DIRECTOR, 57 years of age, Malaysian

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

Datuk Ng Peng Hay was the State Assemblyman for Tengkeru 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, he was conferred the Darjah Mulia Seri Melaka by His Excellency, the Governor of Melaka in 1992. On 17 July 1999, the Taiwanese Government awarded him the Economics Medal.

Datuk Ng Peng Hay is also the Chairman of MCA, 7<sup>th</sup> Branch Melaka since 1982. He was also appointed as Vice Chairman of Malacca State Malaysia Crime Prevention Foundation (MCPF) since the year 1997 and is a Board member of Malaysian Industrial Development Authority (MIDA).

He is also the Independent Non-Executive Director of Bonia Corporation (M) Berhad since 1994, Komarkcorp Berhad since 1997 and Ta Win Holdings Berhad since 2000. In addition, he is also the Chairman of Wellcall Holdings Berhad.

As at the date of this annual report, Datuk Ng 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 2008.



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 by His Excellency, the Governor 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 all five (5) board meetings held during the financial year ended 31 December 2008.



**HAJI BAHAROM  
BIN ABD WAHAB**  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR  
74 years of age  
Malaysian



**MOHD KHASAN  
BIN AHMAD**  
SENIOR  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR  
48 years of age  
Malaysian

Mohd Khasan Bin Ahmad was appointed to the Board of Farm's Best on 10 January 2002. He is also 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, Wellcall Holdings Berhad and Ralco 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 2008.

**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 Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai who are brothers.

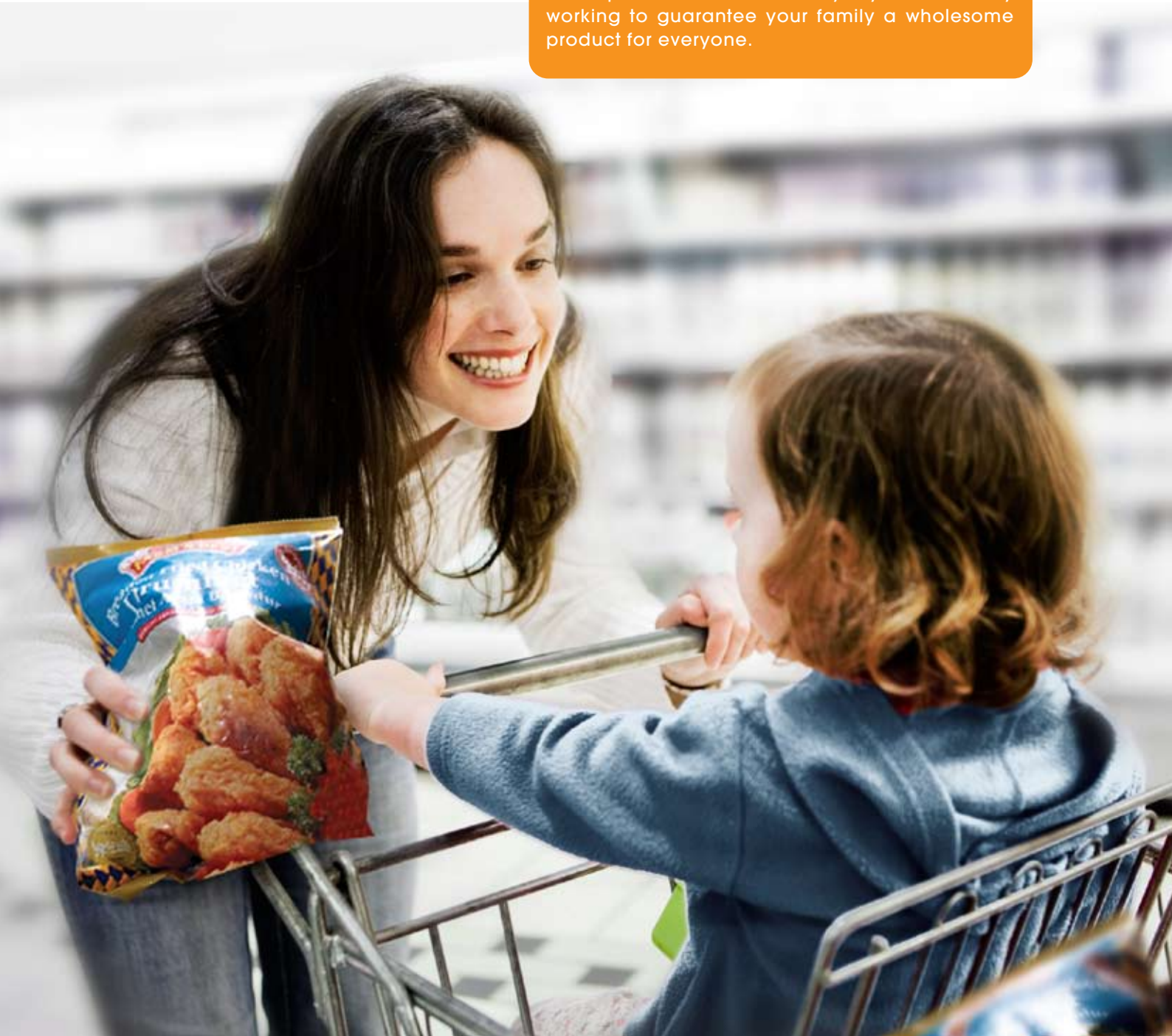
**(iii) Conviction for offences (within the past 10 years, other than traffic offences)**

Except for Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai, none of the directors have any convictions for any offences other than traffic offences. On 11 December 2001, Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai were publicly reprimanded by the Securities Commission ("SC") under Section 32 of the Securities Commission Act 1993 for the non-completion of Farm's Best's proposed rights issue. In addition, the SC had also taken the decision not to accept any form of proposals under Section 32 of the Securities Commission Act, 1993 submitted by any companies in which Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai have substantial interest for a period of 3 years from the date of the abovementioned letter. However, upon appeal by Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai, the SC had on 15 April 2002, agreed to consider proposals made by Farm's Best under Section 32 of the Securities Commission Act 1993, only if the proposal is a comprehensive scheme that would meet all of Farm's Best's financial needs.

# Clearly

More than just a household brand

Farm's Best's products are more than your ordinary shelf occupants. With our endless efforts in discovering what you want, we lead the market as a pioneer in the industry by continuously working to guarantee your family a wholesome product for everyone.





**DATUK HJ. ZAINAL BIN HJ.  
SHAMSUDIN,**

Chairman, Independent  
Non-Executive Director &  
Chairman Of Audit Committee  
62 years of age, Malaysian

Before I begin, I would like to take this opportunity to congratulate both Dato' Fong Kok Yong and Datuk Fong Kiah Yeow, fellow members of the Board of Directors of the Company, on being conferred the Darjah Indera Mahkota Pahang and the Darjah Mulia Seri Melaka respectively, during the financial year ended 31 December 2008.

On behalf of the Board of Directors of the Group, 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 2008.



## PERFORMANCE REVIEW

### Introduction

During the entire financial year under review, the poultry industry was faced with higher cost of imported raw feedstuffs such as corn and soybean meal. Even though, these higher costs were partially offset by higher annualised average selling price of live broilers during the current year under review, the Group nevertheless recorded a higher loss after taxation of RM6.29 million for the financial year under review as compared to near breakeven in the previous financial year ended 31 December 2007. This loss was incurred on the back of revenue of RM400.3 million, an increase of about 4.7% if compared with the revenue of RM382.3 million reported in the previous financial year. The current year's loss after taxation and minority interest of RM6.91 million translates to a loss per share of 12.5 sen.



In the beginning of the second half of the financial year under review, the global economy was faced with one of the world's worst financial melt downs which consequently affected all industries globally. The Malaysian economy was not spared as well as the local share market tumbled downwards and many Multi National Corporations (MNC) downsized their Malaysian operations as they try to cope with the dwindling global demand for their products. Resulting from this, the commodities market also collapsed as major commodities such as crude palm oil and rubber crashed. This, however, had a positive impact for the poultry industry as prices of imported raw feedstuffs softened. Despite this, the Group only benefited from the lowering cost towards the beginning of the following financial year. I shall further elaborate below on the impact of the above situations on our Group.

### Integrated Poultry Operations

Throughout the whole financial year ended 31 December 2008, prices of imported raw materials such as corn and soybean meal were much higher than that during the whole of the previous financial year ended 31 December 2007. The higher annualised average selling price of live broilers was not sufficient to cover the impact of increase in the imported raw materials.

Hence, the integrated poultry operations of the Group made a lower profit of 3.7 million for the financial year under review as compared to a profit of RM5.0 million during the previous financial year.

### Eggs

Despite a better average selling price of table eggs during the financial year under review as compared to the previous financial year, the egg layer division of the Group reported a higher loss during the financial year under review. This was mainly due to increase in poultry feed cost resulting from the increase in prices of imported raw materials such as corn and soybean meal during the financial year under review.



As a result, the egg layer division suffered a higher loss of RM6.0 million during the financial year under review as compared to a loss of RM5.3 million in the previous financial year.

Overall, both divisions of the Group's poultry operations turned in a combined loss of RM2.3 million during the financial year under review as compared to a loss of RM0.3 million during the previous financial year.

## Housing Development

The global financial crisis had also affected the property industry. Hence, our housing development division also suffered losses during the financial year under review. During the financial year under review the housing development division showed a loss of RM0.5 million as opposed to a profit of RM2.0 million during the previous financial year. The adverse performance was brought about by the poor market sentiments. Turnover from the housing development division was at a lower of RM7.6 million during the financial year under review as compared to RM12.8 million during the previous financial year.

The Group's Peninsula Park project at Krubong, Melaka, launched during the third quarter of the previous financial year has yet to contribute positively to the Group's financial results. This project consists of 711 units of mixed development, of which, 32 units of shoplots, 48 units of semi-detached houses and 42 units of double storey houses were launched during the previous financial year. During the financial year under review 5 units of semi-detached houses and 6 units of double storey houses were sold, compared to 4 units of semi-detached houses and 6 units of double storey houses during the previous financial year.



The bridge at Peninsula Park, Krubong Melaka

## GOING FORWARD

The Group expects the financial year ending 31 December 2009 to be just as challenging as the financial year under review. However, with the current costs of imported raw materials being lower than in the financial year under review, the Group is hopeful to weather the storms of 2009. Management will continue to adopt its cost cutting measures in order to have a leading edge as it continuously strives to be a cost competitive producer.

As mentioned in the previous year's Annual Report, the Group sees the construction of a cooked food plant as an important part of its business strategy. The construction of the cooked food plant is still in its initial stages and the Group expects to complete construction by the end of the first quarter of 2010.



Meanwhile, for the property division, the Group believes that the completion of two bridges to shorten the traveling time to the Melaka town centre will be able to attract more buyers to buy the Peninsula Park houses.

As the Group continues to implement its cost cutting strategies and the stabilization of imported raw material prices, it is hoped that the Group would be able to overcome the challenges of the financial year ending 31 December 2009.

## ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to thank our employees, management and staff, customers, suppliers, bankers and shareholders for their continued support. Our deepest appreciation also goes to the State Government of Melaka, Department of Veterinary Services, the Agriculture Ministry, MITI, MIDA, Immigration Department and other ministries and agencies for their guidance and assistance.

Thank you,

**DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN**  
CHAIRMAN



### Introduction

Farm's Best Berhad ("Farm's Best") and its subsidiaries ("the Group") is aware of its responsibility of not only being a responsible food producer producing quality food for its customers, but also recognises the importance for a business these days to have a sound socially responsible manner and to deliver sustainable value to the society. Consistent with Bursa Malaysia Securities Berhad Corporate Social Responsibility framework, Farm's Best's Corporate Social Responsibility activities focus on caring to the Environment, Workplace, Community and Marketplace.

A glimpse of our policies/ activities in these is as follows :-

### Environment

The Group is very committed in its efforts to protect the environment. 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.

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. In achieving a better standard of environmental protection than what was required of us, we have once again demonstrated our true commitment to the environmental cause.

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 four (4) air emission/quality monitoring jobs. The monitoring jobs were carried out in February, May, August and November 2008. The Group is pleased to report that all 4 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. We carry out annual fire prevention exercise for our employees to equip them with the necessary knowledge on evacuation in case of a fire. This exercise will help our employees to extinguish a fire and to save themselves and others.

In July 2008, the Group's processing plant in Masjid Tanah, Melaka sent representatives to take part in a competition organized by the State Fire Department, where 31 companies had participated in. Our representatives emerged as champions and runners-up in two of the events.

As mentioned in our 2007 report, our fifteen (15) employees selected to undertake the Diploma in Manufacturing Management course are still enrolled in the course as part of our continued staff development initiative.

Besides that, the Group also continuously conducts staff training in its effort to produce a competent workforce. The Group also sends selected staff to attend seminars and workshops to update their knowledge in their respective fields.

As part of its effort to enhance health and safety awareness among its employees, the Group had organized a Health & Safety Awareness Campaign/Exhibition at its processing plant in Masjid Tanah, Melaka, participated by DOSH, Health Department, PERKESO, PDRM, Fire Department and Hospital Pantai. Free health screening was provided to employees during the exhibition.

As part of our responsibility of safeguarding the health of our employees, we also provide free anti-typhoid vaccination to certain sectors of employees of the Group.

In order to foster teamwork and improve interaction, communication and understanding among our employees, the Group organizes departmental family days and inter-department futsal tournaments during the year.

### 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.

We have carried out a blood donation campaign amongst our employees in November 2008 as part of the Group's contribution towards the Malaysian Blood Bank.

We have also accommodated study tours of our processing plant from various governmental departments to enhance the various departments' understanding of modern poultry processing. Participants from various countries have also visited our processing plant under the study visit organized by Malaysian Technical Cooperation Program (MTCP) to gain understanding of the modernized poultry processing in Malaysia.

In April 2008, our processing plant became the winner of the state level cleanliness competition for food factory category. This demonstrates our commitment to cleanliness of factory premises and utensils in order to produce food that is of the highest standard of cleanliness.

### 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 conduct annual satisfaction surveys as part of our efforts to improve products and services.

# Clearly

A healthy growth in our future

Farm's Best believes in providing you with products that are nutritiously mouth watering. With our eagerness and enthusiasm to grow and move forward, we work tirelessly to ensure you of the highest quality products that are nutritious for your family and ready for the future.



The Board of Directors is committed to ensure the highest standard of corporate governance is practised throughout Farm's Best Berhad ("Farm's Best" or "the Company") and the subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors is pleased to report to the shareholders the manner in which the Group has applied the principles, and the extent of compliance with the best practices and good governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance ("the Code").

## 1. BOARD OF DIRECTORS

### 1.1 The Board

Farm's Best is led and managed by an experienced Board comprising of members with a range of experience in relevant fields such as poultry farming, business administration, planning, corporate finance, development and marketing. The Board comprises nine (9) members.

Three (3) out of nine (9) members of the Board are independent non-executive Directors. As such, one third (1/3) of the Board comprises of independent non-executive Directors. The presence of independent non-executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have an equal responsibility to the Group, the role of these independent non-executive Directors is particularly important as they provide unbiased and independent views, advice and judgement to take account of the interests not only of the Group, but also of the shareholders, employees, customers and the community in which the Group conducts its business. The Company recognises the contribution of 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 non-executive Directors are independent of management and free from any relationship which could interfere with their independent judgement.

The non-executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. The Board has identified Encik Mohd Khasan Bin Ahmad as the Senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

### 1.2 Board Meetings

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 the commencement of the new financial year to enable Directors to plan ahead and fit the year's meetings into their own schedules.

During the financial year ended 31 December 2008, 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	5/5	100%
Fong Ngan Teng	Executive Director	5/5	100%
Fong Choon Kai	Executive Director	5/5	100%
Ng Cheu Kuan	Executive Director	4/5	80%
Datuk Ng Peng Hay @ Ng Peng Hong	Executive Director	5/5	100%
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director	5/5	100%
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.

### 1.3 Supply of Information

All Directors are provided with an agenda and 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 the 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 the Board meetings. The Minutes of every Board meeting are also circulated to the Directors for their perusal prior to confirmation of the Minutes at the following Board meeting.

There is a schedule of matters reserved specifically for the Board's decision, including the Group's financial results, the business plan, the direction of the Group, new investment and business proposals, the management or performance of the business of subsidiaries, corporate plans, acquisitions and disposals of undertakings and properties of a substantial value,

major investments and financial decision, changes to the management and control structure within the Group, including key policies and procedures and discretionary authority limits.

In furtherance of their duties, every member of the Board has full, unrestricted and timely access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, as the decision making process is highly contingent on the strength of information furnished. The Directors may also have direct access to the advice and services of the Company Secretary. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with. In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in the course of their duties.

#### 1.4 Re-election of the Directors

In accordance with the Company's Articles of Association, one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office once at least in each three (3) years but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election.

### 2. BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the discharge of its duties and execution of specific responsibilities. All the Committees listed below do not have executive powers but report to the Board on all matters considered and submit recommendations for the Board's approval (except the power of the Audit Committee to report to the Bursa Malaysia Securities Berhad ("Bursa Securities") in circumstances described in the Audit Committee Report).

#### 2.1 Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to the auditors, who in turn, have access at all times to the Chairman of the Audit Committee.

The Audit Committee terms of reference together with the Audit Committee Report are disclosed on pages 29 to 32 of the Annual Report. The activities of the Audit Committee during the year ended 31 December 2008 are also set out under the Audit Committee Report.

#### 2.2 Remuneration Committee

The Remuneration Committee for the financial year ended 31 December 2008 comprises the following members:-

Directors	Description
Mohd Khasan Bin Ahmad	Chairman, Senior 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

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration framework for Executive Directors including making recommendations to the Board all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors.

The remuneration package of Non-Executive Directors is also reviewed by the Remuneration Committee and recommended to the Board thereafter. The determination of the remuneration of each Director is a matter for the Board as a whole. Directors do not participate in decision regarding their own remuneration package.



The Remuneration Committee met once during the course of the financial year ended 31 December 2008, to review the remuneration package of the Executive Directors of the Company.

### 2.3 Nomination Committee

For the financial year ended 31 December 2008, the Nomination Committee comprises the following members:-

Directors	Description
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

The Nomination Committee is responsible for identifying and recommending new nominees to the Board as well as Committees of the Board. In addition, the Nomination Committee is also entrusted with the task of assessing annually the performance of the Board members, considers the balance of the board membership and determines the core competencies and skills required of the Board in order to discharge its duties effectively. All assessments and evaluations carried out by the Nomination Committee are properly documented.

The Nomination Committee met once during the course of the financial year ended 31 December 2008, to assess the effectiveness of the Board as a whole and the performance of individual Directors.

### 3. DIRECTORS' TRAINING

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.

During the financial year ended 31 December 2008, all the Directors of the Company had attended the following seminars:-

- (i) Corporate Governance/Listing Requirements. So, What's New?; and
- (ii) Companies (Amendment) Act 2007 – Salient Changes and Their Implications

En. Mohd Khasan also attended the "Understand How Banks Approve and Structure Loans" seminar during the financial year ended 31 December 2008.

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.



#### 4. DIRECTORS' REMUNERATION

Details of the aggregate remuneration of the Directors during the financial year ended 31 December 2008 are as follows:-

	Executive Directors RM'000	Non- Executive Directors RM'000	Total RM'000
Total remuneration			
Fees	-	96	96
Salaries & other emoluments	2,091	-	2,091
Pension costs – defined contribution plan	251	-	251
	2,342	96	2,438

Number of Directors whose remuneration falls within the following bands:-

	Executive Directors	Non- Executive Directors	Total
Below RM50,000	-	3	3
RM200,001 to RM250,000	2	-	2
RM400,001 to RM450,000	4	-	4

#### 5. SHAREHOLDERS' COMMUNICATION AND INVESTORS RELATIONS

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company. As such, the Company communicates with its shareholders, institutional and potential investors through the various announcements made during the year. In addition, the Board also ensures timely release of the financial results on a quarterly basis in order to provide its shareholders with an overview of the Group's financial and operational performance.

The Annual General Meeting ("AGM") of the Company is also a mean of communication with its shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board, as well as the external auditors and legal advisers of the Company are present to answer questions raised at the meeting. The Board has also been encouraging the participation from shareholders through questions and answers session during the AGM, where the Directors are available to answer questions on the financial performances and the business operations of the Group.

Apart from the above, the Group maintains a website at <http://www.farmsbest.com.my> which the shareholders and the general public can access information about the Group.

#### 6. ACCOUNTABILITY AND AUDIT

##### 6.1 Financial Reporting

For financial reporting through quarterly reports to Bursa Securities and the annual report to the shareholders, the Directors have a responsibility to present a balanced and meaningful assessment of the Group's financial position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy and completeness of information.

## 6.2 Internal Controls

The Board is responsible in ensuring that the Group's systems of internal control are in place and that its effectiveness be constantly reviewed to ensure the adequacy of these systems.

As part of internal control and in the daily management of risks, the following systems of reporting and standard processes and procedures were adopted by the Group:-

- a) Monthly actual reporting – providing relevant, reliable and up to-date financial performance against budget, previous month and prior year including detailed explanation of any major variances.
- b) Clear lines of authority exist between Management of the subsidiaries and the Group's Board of Directors. As far as possible, the subsidiaries are given autonomy whilst operating within the established internal control environment.

The review on the systems of internal control is set out under the Statement on Internal Control on page 27 and 28 of the Annual Report.

## 6.3 Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report on pages 29 to 32 of the Annual Report. The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia.

## 6.4 Relationship with the Management

The Board maintains a close and transparent relationship with all the management staff. The Board is furnished with information relating to the running of the Group's operations through various reports prepared by the management staff. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business. In addition, the Executive Directors also hold frequent monthly management meetings with the management staff in order to discuss and plan for the Group's operations.

## 7. STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied with the Best Principles as set out in the Code throughout the financial year.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements to issue a statement explaining their responsibilities in the preparation of the annual financial statements. The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the results and cash flows of the Company and of the Group for the financial year then ended. In preparing these financial statements, the Directors have:-

- used appropriate accounting policies and consistently applied them;
- made judgements and estimates that are reasonable and prudent; and
- ensured that all applicable approved accounting standards have been followed.

The Directors took steps to ensure that the Company and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking such steps that are necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## 9. ADDITIONAL COMPLIANCE INFORMATION

### 9.1 Corporate Proposals And Utilisation Of Proceeds

There were no corporate proposals carried out by the Company during the financial year ended 31 December 2008.

### 9.2 Share Buy-back

During the financial year, there was no share buy-back by the Company.

### 9.3 Options, Warrants or Convertible Securities

There were no new options, warrants or convertible securities issued during the financial year.

### 9.4 American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

### 9.5 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 2008, except for traffic offences.

### 9.6 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 2008 amounted to RM32,000.

### 9.7 Variation in Results

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 27 February 2009 announcement of unaudited results for the financial year ended 31 December 2008 and the audited financial statements of the Group for the financial year ended 31 December 2008.

### 9.8 Profit Guarantee

The Company did not give nor receive any profit guarantee during the financial year.

### 9.9 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.

### 9.10 Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties during the financial year.

## 1. INTRODUCTION

This Statement on Internal Control is made in accordance with paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, which requires the Board of a listed issuer to make a statement about the state of internal control of the listed issuer as a group in its annual report.

## 2. RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. This system of internal control is meant to safeguard shareholders' investments and the Group's assets and it covers financial, operational and compliance as well as risk management.

Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement or loss.

## 3. THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Board is of the opinion that the Group has an adequate and conducive control environment for it to accomplish business objectives. The Group's internal control system involves the Board and its various Board Committees with their specific terms of reference in writing; an Executive Management that is accountable for all its actions; and also various monitoring and review procedures that are embedded in the Group's key processes. The Board also believes that these control processes are to be regularly reviewed to ensure that an effective system of internal control is maintained within the Group.

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

- There is a formal organizational structure with clearly defined lines of authority, responsibility and accountability within the Group;
- Authority limits are established to provide a functional framework of authority in approving revenue and capital expenditures;
- Major investments, acquisitions and disposals are appraised prior to approval by the Board;
- A detailed budgetary process is in place where operating units prepare budgets for the ensuing year to be approved both at operating unit level and by the Executive Directors. The Board monitors the Group's performance by comparing its monthly results against the budget and performance of the preceding month, which requires all material variances to be identified, explained and reviewed by Executive Management on a timely basis;
- The Executive Directors review the monthly management accounts of all companies in the Group except for certain associated companies;
- The Executive Directors conduct monthly meetings with Management of all significant business units within the Group except for certain associated companies and foreign subsidiaries. From these monthly management meetings, the Executive Directors identify areas of significant risks and, if considered necessary, liaise with the Audit Committee to request the internal audit function to review the financial and operational risks of the business unit concerned;
- The Executive Directors and members of the Management team make regular visits to operating units to ensure that the operating units are properly managed by personnel entrusted with the responsibility;
- The Group outsourced its internal audit function to KPMG Business Advisory Sdn. Bhd., an independent advisory firm, since 2005. The scope of work performed by the internal audit function comprises performing reviews of business processes and carrying out internal audit projects to assess the adequacy and integrity of the internal control system, and highlighting to the Audit Committee significant areas for improvements as well as risks that may impact the business units concerned. During the year under review, KPMG Business Advisory Sdn. Bhd. carried out one (1) cycle of internal audit on the operations of the Group, covering the egg layer division and focusing on the key processes therein.

The internal audit report, including follow-up conducted by the internal audit function on the status of Management-agreed action plans to address the internal audit findings raised in preceding cycles of internal audit, was reviewed and noted by the Audit Committee during its meetings held throughout the period under review. Improvement opportunities noted by the internal audit function during the financial year under review have been addressed, or are being addressed by Executive Management. The Board is of the view that there were no weaknesses in the internal control system that resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board does not regularly review the internal control system of certain of its associated companies as the Board does not have any direct control over their operations. Notwithstanding, the Group's interests are served through the receipt and review of management accounts of the associated companies and enquiries made thereon, as appropriate.

Based on the above, the Board is of the opinion that there exists within the Group an adequate system of internal control that would enable the management of risks towards the achievement of its corporate objectives.

#### 4. RISK MANAGEMENT

The Group established a formal risk management framework in 2003, last updated in 2007, which enabled the Executive Management and the Board to share a common model in the effective communication and evaluation of all principal risks and controls. 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 were scored for likelihood of their occurrence and the magnitude of impact upon the Group. The internal audit function carried out its internal audit projects based on the Risk Profile of the Group. The risk profile of the Group was updated again in January 2009.

The risk management processes were reviewed at Board meetings. The review included matters relating to significant risks which could impede the achievement of business objectives.

#### 5. REVIEW BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement pursuant to Paragraph 15.24 of the Listing Requirements and in accordance with Recommended Practice Guide ("RPG") 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control.

#### 6. CONCLUSION

The Board, in fulfilling its responsibilities, has ensured that the Group has a proper risk management and control framework that is necessary to achieve a sound system of internal control. The Board is of the view that this system of internal control, which is reviewed on an ongoing basis, is adequate for the Group to manage its risks and to achieve its business objectives.

The Board of Directors is pleased to present the following Audit Committee Report and its activities for the financial year ended 31 December 2008.

## 1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:

**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) No alternate director shall be appointed a member of the Audit Committee.
- (c) 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
- (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 its external auditors and its internal auditors without the presence of the other directors and employees of the Company.

**2.6. Voting and Proceeding of Meeting**

- (a) 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.
- (b) Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee duly called and constituted.

**2.7. Minutes**

- (a) The Audit Committee shall cause minutes to be duly recorded and entered in 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.
- (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 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 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.

### 3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2008, which were attended by all the Audit Committee members. 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 the 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 Committee were 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 audited financial statements of the Group and the Company and made appropriate recommendations relating thereto;
- 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 audit function and follow-up on Management's implementation of the recommended actions; and
- h. Reviewed the Statement on Internal Control and Audit Committee Report prior to Board's approval for inclusion in the Company's Annual Report.

All the members of the Committee attended the following seminars:-

- (i) Corporate Governance/Listing Requirements. So, What's New?; and
- (ii) Companies (Amendment) Act 2007 – Salient Changes and Their Implications

En. Mohd Khasan also attended the "Understand How Banks Approve and Structure Loans" seminar during the financial year ended 31 December 2008.

### 5. INTERNAL AUDIT FUNCTION

The Committee is aware that the internal audit function is essential to assist in providing the assurance the Committee requires regarding the adequacy and integrity of the system of internal controls. The Company outsourced its internal audit function to KPMG Business Advisory Sdn. Bhd., an independent professional advisory firm, to carry out internal audit projects with a view to assess the adequacy and integrity 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 2008 was RM55,000.

A summary of internal audit activities performed by KPMG Business Advisory Sdn. Bhd during the financial year under review is stated in the Statement on Internal Control on page 27 and 28 of the Annual Report.

# FINANCIAL STATEMENTS



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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 2008.

### 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 18 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 for the year	(6,291)	19,021
Attributable to:		
Equity holders of the Company	(6,914)	19,021
Minority interests	623	-
	<u>(6,291)</u>	<u>19,021</u>

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  
 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 12 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 37 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			
	1.1.2008	Acquired	Sold	31.12.2008
<b>Holding company</b>				
<i>Direct interest</i>				
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
<b>The Company</b>				
<i>Direct interest</i>				
Datuk Fong Kiah Yeow	-	66,000	-	66,000
Baharom Bin Abd Wahab	4,500	-	-	4,500
<i>Indirect interest</i>				
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.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or in its related corporations during the financial year.

**Other statutory information**

- (a) Before the income statements and balance sheets 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 value 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 render :
  - (i) the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) 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) 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 its 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.

**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 28 April 2009.

**Dato' Fong Kok Yong**

Melaka, Malaysia

**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 40 to 90 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2009.

**Dato' Fong Kok Yong**

**Datuk Fong Kiah Yeow**

Melaka, Malaysia

# STATUTORY DECLARATION

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

I, **Dato' Fong Kok Yong**, 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 40 to 90 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, Dato' Fong Kok Yong, )  
at Melaka in the State of Melaka )  
on 28 April 2009 ) **Dato' Fong Kok Yong**

Before me,  
**P. MURUGIAH BKT PJK**  
Commissioner for Oaths



## **Report on the financial statements**

We have audited the financial statements of Farm's Best Berhad, which comprise the balance sheets of the Group and of the Company as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 90.

### ***Directors' responsibility for the financial statements***

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***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 whether the financial statements are free from material misstatement.

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 and fair presentation of the financial statements 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 sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and 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 2008 and of their financial performance and cash flows for the year then ended.

### ***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses that the Group incurred a loss of approximately RM6.3 million during the year ended 31 December 2008 and as at that date, the Group's current liabilities exceeded its current assets by approximately RM15.2 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

The ability of the Group to continue as a going concern is dependent upon the continuing financial support from the bankers and the successful outcome of certain strategic measures initiated by the directors, which in their opinion, will result in the Group being able to achieve future profitable operations and generate sufficient cashflows to meet the liabilities of the Group as and when they fall due. The financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.



### 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 18 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

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

Melaka, Malaysia  
Date: 28 April 2009

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

	Note	Group		Company	
		2008 RM'000	2007 RM'000 (Restated)	2008 RM'000	2007 RM'000
Revenue	6	400,260	382,312	600	3,810
Cost of sales	7	(365,155)	(336,284)	-	-
Gross profit		35,105	46,028	600	3,810
Other income	8	1,517	872	-	-
Selling and marketing expenses		(9,468)	(14,240)	-	-
Administrative and general expenses	10	(18,569)	(27,754)	19,491	151
Operating profit		8,585	4,906	20,091	3,961
Finance income		50	104	-	-
Finance costs	9	(10,274)	(10,259)	(1,070)	(1,231)
Share of (losses)/profits of associates		(880)	565	-	-
(Loss)/profit before tax	10	(2,519)	(4,684)	19,021	2,730
Tax (expense)/income	13	(3,772)	4,584	-	-
(Loss)/profit for the year		(6,291)	(100)	19,021	2,730
<b>Attributable to:</b>					
Equity holders of the Company		(6,914)	(914)	19,021	2,730
Minority interests		623	814	-	-
		(6,291)	(100)	19,021	2,730
<b>Loss per share attributable to equity holders of the Company:</b>					
Basic (sen)	14	(12.5)	(1.6)		
Diluted (sen)	14	(12.5)	(1.6)		

	Note	Group		Company	
		2008 RM'000	2007 RM'000 (Restated)	2008 RM'000	2007 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	133,042	143,449	594	697
Investment property	16	226	229	-	-
Prepaid land lease payments	17	3,288	3,271	-	-
Investments in subsidiaries	18	-	-	67,961	75,661
Investments in associates	19	4,184	5,064	-	-
Other investments	20	33	62	-	-
Goodwill	21	11,538	11,538	-	-
Deferred tax assets	22	2,705	3,942	-	-
Land held for property development	23	6,770	6,770	-	-
		<u>161,786</u>	<u>174,325</u>	<u>68,555</u>	<u>76,358</u>
<b>Current assets</b>					
Property development costs	24	17,739	14,247	-	-
Biological assets	25	17,170	17,256	-	-
Inventories	26	20,412	19,645	-	-
Trade receivables	27	119,393	116,111	-	-
Other receivables	28	17,768	13,133	24,102	6,035
Tax recoverable		2,096	1,597	1,207	1,051
Cash and bank balances	29	10,761	2,926	-	1
		<u>205,339</u>	<u>184,915</u>	<u>25,309</u>	<u>7,087</u>
<b>Total assets</b>		<b><u>367,125</u></b>	<b><u>359,240</u></b>	<b><u>93,864</u></b>	<b><u>83,445</u></b>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	30	55,530	55,530	55,530	55,530
Share premium	31	62,641	62,641	62,641	62,641
Foreign exchange reserve	32	(472)	(290)	-	-
Accumulated losses		(28,582)	(21,668)	(42,653)	(61,674)
		<u>89,117</u>	<u>96,213</u>	<u>75,518</u>	<u>56,497</u>
Minority interests		6,696	12,376	-	-
<b>Total equity</b>		<b><u>95,813</u></b>	<b><u>108,589</u></b>	<b><u>75,518</u></b>	<b><u>56,497</u></b>
<b>Non-current liabilities</b>					
Borrowings	33	46,979	20,965	4,919	7,422
Deferred tax liabilities	22	3,801	2,261	-	-
		<u>50,780</u>	<u>23,226</u>	<u>4,919</u>	<u>7,422</u>
<b>Current liabilities</b>					
Borrowings	33	144,593	129,580	12,760	12,755
Trade payables	35	50,226	71,297	-	-
Other payables	36	25,331	26,068	667	6,771
Current tax payable		382	480	-	-
		<u>220,532</u>	<u>227,425</u>	<u>13,427</u>	<u>19,526</u>
<b>Total liabilities</b>		<b><u>271,312</u></b>	<b><u>250,651</u></b>	<b><u>18,346</u></b>	<b><u>26,948</u></b>
<b>Total equity and liabilities</b>		<b><u>367,125</u></b>	<b><u>359,240</u></b>	<b><u>93,864</u></b>	<b><u>83,445</u></b>

The accompanying notes form an integral part of the financial statements.

← Attributable to equity holders of the Company →

← Non-distributable →

	Share capital (Note 30) RM'000	Share premium (Note 31) RM'000	Foreign exchange reserve (Note 32) RM'000	Accumulated losses RM'000	Minority Total interests RM'000	Total equity RM'000	
<b>Group</b>							
<b>At 1 January 2007</b>							
Previously stated	55,530	62,641	(188)	(22,009)	95,974	12,302	108,276
Prior year adjustment (Note 4.1)	-	-	-	1,255	1,255	-	1,255
Restated	55,530	62,641	(188)	(20,754)	97,229	12,302	109,531
Foreign currency translation, representing net income recognised directly in equity	-	-	(102)	-	(102)	162	60
(Loss)/profit for the year	-	-	-	(914)	(914)	814	(100)
Total recognised income and expense for the year	-	-	(102)	(914)	(1,016)	976	(40)
Dividend paid to minority interests	-	-	-	-	-	(902)	(902)
<b>At 31 December 2007</b>	<b>55,530</b>	<b>62,641</b>	<b>(290)</b>	<b>(21,668)</b>	<b>96,213</b>	<b>12,376</b>	<b>108,589</b>
<b>At 1 January 2008</b>							
Previously stated	55,530	62,641	(290)	(24,635)	93,246	12,376	105,622
Prior year adjustment (Note 4.1)	-	-	-	2,967	2,967	-	2,967
Restated	55,530	62,641	(290)	(21,668)	96,213	12,376	108,589
Foreign currency translation, representing net income recognised directly in equity	-	-	(182)	-	(182)	-	(182)
(Loss)/profit for the year	-	-	-	(6,914)	(6,914)	623	(6,291)
Total recognised income and expense for the year	-	-	(182)	(6,914)	(7,096)	623	(6,473)
Dividend paid to minority interests	-	-	-	-	-	(6,303)	(6,303)
<b>At 31 December 2008</b>	<b>55,530</b>	<b>62,641</b>	<b>(472)</b>	<b>(28,582)</b>	<b>89,117</b>	<b>6,696</b>	<b>95,813</b>

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008 (cont'd)

	Share capital (Note 30) RM'000	Non-distributable Share premium (Note 31) RM'000	Accumulated losses RM'000	Total RM'000
<b>Company</b>				
<b>At 1 January 2007</b>	55,530	62,641	(64,404)	53,767
Profit for the year, representing total recognised income and expense for the year	-	-	2,730	2,730
<b>At 31 December 2007</b>	55,530	62,641	(61,674)	56,497
Profit for the year, representing total recognised income and expense for the year	-	-	19,021	19,021
<b>At 31 December 2008</b>	55,530	62,641	(42,653)	75,518

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before tax	(2,519)	(4,684)	19,021	2,730
Adjustments for:				
Bad debts written off	8	20	-	-
Dividend income	(1)	(1)	-	-
Depreciation and amortisation:				
- Property, plant and equipment	9,866	10,746	103	133
- Investment property	3	6	-	-
- Prepaid land lease payments	94	44	-	-
Impairment of:				
- Goodwill	-	2,200	-	-
- Investments in subsidiaries	-	-	7,700	-
(Gain)/loss on disposal of:				
- Property, plant and equipment	(7,977)	(560)	-	-
- Investments in associates	-	853	-	-
- Other investments	(38)	-	-	-
Unrealised foreign exchange loss/(gain)	1,568	(590)	-	(315)
Provision for doubtful debts	654	522	(28,298)	-
Interest income	(50)	(104)	-	-
Interest expense	10,274	10,259	1,070	1,231
Share of losses/(profits) of associates	880	(565)	-	-
Operating profit/(loss) before working capital changes	12,762	18,146	(404)	3,779
Increase in property development costs	(3,492)	(1,940)	-	-
Decrease/(increase) in biological assets	86	(1,174)	-	-
(Increase)/decrease in inventories	(767)	5,257	-	-
(Increase)/decrease in receivables	(6,390)	(22,094)	10,231	11,792
(Decrease)/increase in payables	(21,893)	26,059	(6,104)	(9,498)
Cash (used in)/generated from operations	(19,694)	24,254	3,723	6,073
Interest paid	(10,274)	(10,259)	(1,070)	(1,231)
Tax (paid)/refund	(1,592)	(1,043)	(156)	(219)
Net cash (used in)/ generated from operating activities	(31,560)	12,952	2,497	4,623

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from investing activities</b>				
Acquisition of:				
- Property, plant and equipment	(5,524)	(7,531)	-	-
- Investment in subsidiary	-	(802)	-	-
(Payment of)/proceeds from land lease payments	(111)	419	-	-
Proceeds from disposal of:				
- Property, plant and equipment	12,642	2,372	-	-
- Investments in associates	-	3,628	-	-
- Other investments	67	-	-	-
Interest received	50	104	-	-
Net cash generated from/(used in) investing activities	7,124	(1,810)	-	-
<b>Cash flows from financing activities</b>				
Dividends paid to minority shareholders	(6,303)	(902)	-	-
Repayment of finance lease payables	(2,156)	(2,461)	(49)	(64)
Proceeds from term loans	33,029	-	136	-
Repayment of term loans	(10,727)	(9,079)	(2,503)	(4,567)
Increase/(decrease) in short term borrowings	30,543	(3,867)	-	-
Net cash generated from/(used in) financing activities	44,386	(16,309)	(2,416)	(4,631)
<b>Cash and cash equivalents</b>				
Net increase/(decrease) for the year	19,950	(5,167)	81	(8)
Effect of foreign exchange rate changes	(182)	60	-	-
At beginning of the year	(28,379)	(23,272)	(9,969)	(9,961)
At end of the year (Note 29)	(8,611)	(28,379)	(9,888)	(9,969)

## 1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Second Board 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 18 to the financial statements. 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2009.

## 2. Fundamental accounting concept

The Group incurred a loss of approximately RM6.3 million during the year ended 31 December 2008 and as at that date, the Group's current liabilities exceeded its current assets by approximately RM15.2 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. The ability of the Group to continue as a going concern is dependent upon the continuing financial support of the bankers and the successful outcome of the following strategic measures initiated by the directors:

- (i) Construction of a fully cooked food plant to increase production of processed poultry. Approval of loan facility has been obtained from a banker and the facility will be drawn down to finance the said construction in the next financial year.
- (ii) Implementation of on-going cost cutting measures and financial risk management policies to minimise the Group's and Company's exposure to external economic and financial risk factors; and
- (iii) Exploration of new export markets in the Middle East, Japan and Europe for the Group's "halal" food products.

The directors are of the opinion that the above measures will result in the Group being able to achieve future profitable operations and generate sufficient cashflows to meet the liabilities of the Group as and when they fall due. The financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 3. Significant accounting policies

### 3.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRS").

The financial statements have been prepared on a historical basis and are presented in Ringgit Malaysia ("RM"). All values are rounded to the nearest thousand (RM'000) except as otherwise indicated.



### 3. Significant accounting policies (cont'd)

#### 3.2 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% to 10%
Plant and machinery	10% to 20%
Motor vehicles	10% to 20%
Other assets	5% to 20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is recognised in profit or loss.

#### 3.3 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for 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. Investment properties are depreciated on a straight line basis over the lease term of 99 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. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

### 3. Significant accounting policies (cont'd)

#### 3.4 Leases

##### (a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of properties are classified as operating or finance leases in the same way as leases of other assets and the land and building elements are considered separately for the purpose of lease classification.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (b) Finance leases - the Group as lessee

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.2.

##### (c) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant leases which range from 80 to 99 years. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease properties the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straightline basis over the lease term.

##### (d) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### 3. Significant accounting policies (cont'd)

#### 3.5 Subsidiaries and basis of consolidation

##### (a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

##### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared using the same reporting date as that of the Company.

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 that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

Losses applicable to minority interests in a consolidated subsidiary may exceed the minority interests in the subsidiary's equity. The excess, and any further losses applicable to minority interests are allocated against the majority interest except to the extent that the minority interests have a binding obligation and are able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

### 3. Significant accounting policies (cont'd)

#### 3.6 Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

#### 3.7 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### 3.8 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.

### 3. Significant accounting policies (cont'd)

#### 3.9 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 the income statement 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 income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

#### 3.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts, plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### 3.11 Impairment of non-financial assets

The carrying amounts of non-financial assets, other than property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

### 3. Significant accounting policies (cont'd)

#### 3.11 Impairment of non-financial assets (cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset. Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

#### 3.12 Biological assets

Biological assets comprise hatching eggs, day old chicks, pullets, layers and breeders. All biological assets are stated at cost except for layers and breeders which are stated at cost less amortisation. Amortisation is provided to write off the cost of layers and breeders to their net realisable values over their economic egg laying lives. Cost includes cost of feed, medication, labour and attributable overheads to the point of maturity. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

#### 3.13 Inventories

Inventories are stated at the lower of cost and net realisable values. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Cost of raw materials, medical and consumable supplies and finished goods (determined on the weighted average basis) consists of the original purchase price plus the costs of bringing the stocks to their present location. Cost of trading eggs, processed chickens and feed (determined on the weighted average basis) include materials, labour and a proportion of overhead costs.

Cost of completed shops and houses include land costs, construction costs and direct expenses incurred during the period of development (determined on the specific identification basis).

### 3. Significant accounting policies (cont'd)

#### 3.14 Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Cash and cash equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(ii) Other non-current investments**

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

**(iii) Trade and other receivables**

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

**(iv) Trade and other payables**

Trade and other payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

**(v) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

**(vi) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

### 3. Significant accounting policies (cont'd)

#### 3.15 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### 3.16 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 of the Group. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

#### 3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:



### 3. Significant accounting policies (cont'd)

#### 3.17 Revenue recognition (cont'd)

(i) **Sale of goods**

Revenue is recognised net of sales taxes upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) **Sale of properties**

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 3.8.

(iii) **Finance income**

Finance income is recognised on an accrual basis using the effective interest method.

(iv) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

(v) **Rental income**

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees, if any, is recognised as a reduction of rental income over the lease term on a straight-line basis.

(vi) **Revenue from management services**

Management fee is recognised net of any service taxes and discounts as and when the services are performed.

#### 3.18 Foreign currencies

(i) **Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) **Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

### 3. Significant accounting policies (cont'd)

#### 3.18 Foreign currencies (cont'd)

##### (ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement and translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

##### (iii) Foreign operations

The results and financial position of foreign operations with a functional currency that is different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### 3.19 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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 finance cost.

## 4. Changes in accounting policies and future accounting standards

### 4.1 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and Interpretations

On 1 January 2008, the Group and the Company adopted, where applicable, the following revised FRS, amendments to FRS and interpretations:

- (i) FRS 107: Cash Flow Statements
- (ii) FRS 111: Construction Contracts
- (iii) FRS 112: Income Taxes
- (iv) FRS 118: Revenue
- (v) FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- (vi) FRS 134: Interim Financial Reporting
- (vii) FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- (viii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations
- (ix) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (x) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (xi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (xii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (xiii) IC Interpretation 7: Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
- (xiv) IC Interpretation 8: Scope of FRS 2

The revised FRS, amendments and interpretations above do not have any significant impact on the financial statements of the Group and the Company upon their initial application, except as follows:

#### FRS 112: Income Taxes

Prior to 1 January 2008, recognition of deferred tax on assets that qualify for re-investment or other similar allowances in excess of normal capital allowances was not recognised in the financial statements of the Group. The adoption of the revised FRS 112 has resulted in a change in the accounting policy whereby deferred tax is to be recognised on such unused allowances to the extent that it is probable that future taxable profit will be available against which these unused allowances can be utilised.

This change in accounting policy has been accounted for retrospectively and as disclosed below, certain comparatives have been restated. The effect of the increase/(decrease) on the consolidated balance sheet as at 31 December 2008 and consolidated income statement for the year ended 31 December 2008 are set as below:

	Prior to adoption of FRS 112 (revised) RM	Effect of FRS 112 (revised) RM	As reported RM
<b>Balance sheet</b>			
Deferred tax assets	5,259	(2,554)	2,705
Accumulated losses	26,028	2,554	28,582

#### 4. Changes in accounting policies and future accounting standards (cont'd)

##### 4.1 Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and Interpretations (cont'd)

###### FRS 112: Income Taxes (cont'd)

	Prior to adoption of FRS 112 (revised) RM	Effect of FRS 112 (revised) RM	As reported RM
<b>Income statement</b>			
Tax expense	3,359	413	3,772
Loss for the year	5,878	413	6,291
Loss per share attributable to equity holders of the Company:			
Basic (sen)	11.8	0.7	12.5
Diluted (sen)	11.8	0.7	12.5

There is no impact on the Company's financial statements for the current year.

The following comparatives in the Group's financial statements have been restated as follows:

	Previously stated RM	Effect of FRS 112 RM	Restated RM
<b>2007</b>			
<b>Balance sheet</b>			
Deferred tax assets	3,516	426	3,942
Deferred tax liabilities	4,802	(2,541)	2,261
Accumulated losses:			
At 1 January 2007	22,009	(1,255)	20,754
At 1 December 2007	24,635	(2,967)	21,668
<b>Income statement</b>			
Tax income	2,872	1,712	4,584
Loss for the year	1,812	(1,712)	100
Loss per share attributable to equity holders of the Company:			
Basic (sen)	4.7	(3.1)	1.6
Diluted (sen)	4.7	(3.1)	1.6

There is no impact on the comparatives in the Company's financial statements.

## 4. Changes in accounting policies and future accounting standards (cont'd)

### 4.2 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRS and interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139. The other FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

## 5. Significant accounting estimates and judgments

### 5.1 Critical judgments made in applying accounting policies

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### (a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

### 5.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

#### (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 RM11,538,768 (2007: RM11,538,768). Further details are disclosed in Note 21.

## 5. Significant accounting estimates and judgments (cont'd)

### 5.2 Key sources of estimation uncertainty (cont'd)

#### (b) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, capital and reinvestment allowances and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the losses, capital and reinvestment allowances and deductible temporary differences 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 unabsorbed tax losses, capital and reinvestment allowances and deductible temporary differences and the amounts for which deferred tax assets were not recognised are disclosed in Note 22 to the financial statements.

#### (c) Residual value and depreciation of plant and machinery

The cost of plant and machinery for poultry farming is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 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 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. A 3% difference in the average useful lives of these assets from management's estimates would result in approximately 2% variance in less for the year.

#### (d) Property development

The Group recognises property development revenue and expenses in the income statement 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.

Significant judgment is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgment, the Group evaluates based on past experience and by relying on the work of specialists.

#### (e) Biological assets

The cost of layers and breeders is amortised on a straight-line basis to write off the cost to their net realisable values over their economic egg-laying lives. Management estimates the useful lives of these biological assets to range from 66 to 82 weeks. These are common life expectancies applied in the poultry industry. Changes in the expected mortality rates of chickens could impact the economic useful lives and future amortisation charges could be revised.

#### (f) Provision for doubtful debts

The Group makes provision for doubtful debts based on management's assessment of the recoverability of receivables. Provisions are made where events and changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables.

## 6. Revenue

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sales of goods net of discounts	392,673	369,538	-	-
Property development	7,587	12,774	-	-
Gross dividends received from subsidiaries	-	-	600	3,810
	<u>400,260</u>	<u>382,312</u>	<u>600</u>	<u>3,810</u>

## 7. Cost of sales

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Inventories sold	358,393	328,371	-	-
Developed properties sold	1,483	6,046	-	-
Property development costs recognised (Note 24)	5,279	1,867	-	-
	<u>365,155</u>	<u>336,284</u>	<u>-</u>	<u>-</u>

## 8. Other income

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sundry income	938	717	-	-
Rental income	179	74	-	-
Incentive received	362	-	-	-
Dividend income from shares quoted in Malaysia	1	1	-	-
Insurance claim	37	80	-	-
	<u>1,517</u>	<u>872</u>	<u>-</u>	<u>-</u>

## 9. Finance costs

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest expense on:				
- Bank overdraft	2,628	3,325	922	922
- Bankers' acceptances	3,209	3,449	-	-
- Term loan	2,303	2,431	527	1,046
- Finance leases	533	504	7	10
- Revolving credits	1,352	-	-	-
- Trust receipts	249	-	-	-
- Others	-	550	-	-
Interest recouped from subsidiaries	-	-	(386)	(747)
	<u>10,274</u>	<u>10,259</u>	<u>1,070</u>	<u>1,231</u>

## 10. (Loss)/profit before tax

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Auditors' remuneration				
- Statutory audits (current year)	169	149	15	13
- Statutory audits (prior year)	3	5	-	-
- Other services	32	28	32	28
Bad debts recovered	(874)	(12)	-	-
Bad debts written off	8	20	-	-
Provision for doubtful debts/ (written back) *	654	522	(28,298)	-
Depreciation and amortisation:				
- Property, plant and equipment	9,866	10,746	103	133
- Investment property	3	6	-	-
- Prepaid land lease payments	94	44	-	-
Employee benefits expense (Note 11)	29,647	33,362	-	-
(Gain)/loss on foreign exchange				
- Realised	(659)	(641)	(342)	(746)
- Unrealised	1,568	(590)	-	(315)
(Gain)/loss from disposal of:				
- Property, plant and equipment	(7,977)	(560)	-	-
- Investments in associates	-	853	-	-
- Other investments	(38)	-	-	-
Impairment of:				
- Goodwill (Note 21)	-	2,200	-	-
- Investment in subsidiaries	-	-	7,700	-



## 10. (Loss)/profit before tax (cont'd)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Minimum operating lease payments:				
- Land and buildings	5,010	4,843	-	-
- Plant and machinery	228	1,830	-	-
- Motor vehicles	550	747	-	-
Non-executive directors' emoluments (Note 12)	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>

\* The reversal of provision for doubtful debts of the Company has been included under administrative and general expenses.

## 11. Employee benefits expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Executive directors (Note 12)</b>				
Executive directors of the Company	2,342	2,493	-	-
Other directors of subsidiaries	<u>1,212</u>	<u>1,514</u>	<u>-</u>	<u>-</u>
	3,554	4,007	-	-
<b>Other key management personnel</b>				
Wages and salaries	947	730	-	-
Defined contribution plan	114	88	-	-
Other related costs	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>
	1,064	821	-	-
<b>Other staff</b>				
Wages and salaries	22,282	25,228	-	-
Defined contribution plan	1,763	2,170	-	-
Other related costs	<u>984</u>	<u>1,136</u>	<u>-</u>	<u>-</u>
	25,029	28,534	-	-
	<u>29,647</u>	<u>33,362</u>	<u>-</u>	<u>-</u>

Included in the above are amounts charged to cost to sales amounting to RM20,975,145 (2007: RM21,801,515).

## 12. Directors' emoluments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Directors of the Company</b>				
Executive:				
- Salaries and other emoluments	2,091	2,226	-	-
- Defined contribution plans	251	267	-	-
	<u>2,342</u>	<u>2,493</u>	<u>-</u>	<u>-</u>
Non-Executive:				
- Fees	96	96	96	96
	<u>2,438</u>	<u>2,589</u>	<u>96</u>	<u>96</u>
<b>Other directors of subsidiaries</b>				
Executive:				
- Salaries and other emoluments	1,082	1,352	-	-
- Defined contribution plans	130	162	-	-
	<u>1,212</u>	<u>1,514</u>	<u>-</u>	<u>-</u>
	<u>3,650</u>	<u>4,103</u>	<u>96</u>	<u>96</u>
<b>Analysis of directors' emoluments</b>				
Executive directors (Note 11)	3,554	4,007	-	-
Non-executive directors (Note 10)	96	96	96	96
	<u>3,650</u>	<u>4,103</u>	<u>96</u>	<u>96</u>

The Group emoluments do not include the monetary value of benefits-in-kind in respect of the directors of the Company and of the subsidiaries amounting to RM4,500 (2007: RM27,300) and RM8,800 (2007: RM8,800) respectively.

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

	Number of directors	
	2008	2007
<b>Non-executive directors:</b>		
Below RM50,000	3	3
<b>Executive directors:</b>		
RM200,001 to RM250,000	2	2
RM400,001 to RM450,000	4	-
RM450,001 to RM500,000	-	4
	<u>9</u>	<u>9</u>

## 13. Tax expense/(income)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax:				
Malaysian income tax	1,095	1,628	-	-
Overprovided in prior years	(109)	(23)	-	-
Real property gains tax	9	-	-	-
	<u>995</u>	<u>1,605</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 22):				
Origination and reversal during the year	2,616	(6,369)	-	-
Relating to reduction in income tax rate	-	(317)	-	-
Underprovided in prior years	161	497	-	-
	<u>2,777</u>	<u>(6,189)</u>	<u>-</u>	<u>-</u>
	<u>3,772</u>	<u>(4,584)</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable loss for the year. The domestic statutory tax rate will be reduced to 25% with effect from the year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	:	20%
In excess of RM500,000 of chargeable income	:	Malaysia corporate statutory tax rate

A reconciliation of tax expense/(income), applicable to the results before tax, at the statutory income tax rate to tax income at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Loss)/profit before tax	(2,519)	(4,684)	19,021	2,730
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(655)	(1,265)	4,945	737
Effect of income at Malaysian tax rate of 20% (2007: 20%)	(60)	(89)	-	-
Effect on opening deferred tax of reduction in tax rates	-	(164)	-	-
Effect of share of losses/(profit) of associates	229	(152)	-	-
Deferred tax recognised at different tax rates	-	(153)	-	-
Effect of income not subject to tax	(21)	(11)	(7,513)	(810)

### 13. Tax expense/(income) (cont'd)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Effect of expenses not deductible for tax purposes	2,388	2,050	2,237	7
Effect of income subject to real property gains tax	9	-	-	-
Deferred tax recognised on items previously not recognised:				
- Tax losses and capital allowances	(446)	(12)	-	66
- Other temporary differences	-	(3,515)	-	-
Deferred tax asset not recognised on:				
- Tax losses and capital allowances	2,425	1,267	331	-
- Other temporary differences	498	-	-	-
Tax saving from utilisation of group loss relief	(546)	-	-	-
Effect of utilisation of reinvestment allowances	(101)	(3,014)	-	-
(Over)/underprovision of tax in prior years:				
- Current tax	(109)	(23)	-	-
- Deferred tax	161	497	-	-
Tax expense/(income) for the year	<u>3,772</u>	<u>(4,584)</u>	<u>-</u>	<u>-</u>

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

	Group	
	2008 RM'000	2007 RM'000
Unabsorbed tax losses	61,959	54,657
Unabsorbed capital allowances	21,038	18,645
Unabsorbed re-investment allowances	13,912	13,940
	<u>96,909</u>	<u>87,242</u>

The unutilised tax losses and unabsorbed capital allowances of the Group amounting to RM61,959,000 (2007: RM55,657,000) and RM21,038,000 (2007: RM18,645,000) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax, 1967 and guidelines issued by the tax authority.

### 14 Earnings per share

Basic and diluted loss per share is calculated by dividing the Group's loss for the year, attributable to equity holders of the Company, of RM6,914,000 (2007: RM914,000) with 55,530,263 (2007: 55,530,263) weighted average ordinary shares in issue during the financial year.

## 15. Property, plant and equipment

	Freehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
<b>Group - 2008</b>					
<b>Cost</b>					
At 1 January 2008	97,256	145,478	21,248	15,999	279,981
Additions	1,041	4,324	948	716	7,029
Disposals	(15,974)	(4,142)	(1,976)	(842)	(22,934)
Reclassification	850	-	-	(850)	-
At 31 December 2008	83,173	145,660	20,220	15,023	264,076
<b>Accumulated depreciation</b>					
At 1 January 2008	38,198	72,519	15,021	10,794	136,532
Charge for the year	2,628	5,419	1,434	385	9,866
Disposals	(9,833)	(3,507)	(1,501)	(523)	(15,364)
At 31 December 2008	30,993	74,431	14,954	10,656	131,034
<b>Carrying amount</b>	<b>52,180</b>	<b>71,229</b>	<b>5,266</b>	<b>4,367</b>	<b>133,042</b>
<b>Group - 2007</b>					
<b>Cost</b>					
At 1 January 2007	98,036	139,974	19,136	14,799	271,945
Additions	1,283	5,978	2,407	1,436	11,104
Disposals	(2,063)	(474)	(295)	(236)	(3,068)
At 31 December 2007	97,256	145,478	21,248	15,999	279,981
<b>Accumulated depreciation</b>					
At 1 January 2007	35,459	67,338	13,925	10,320	127,042
Charge for the year	3,179	5,564	1,338	665	10,746
Disposals	(440)	(383)	(242)	(191)	(1,256)
At 31 December 2007	38,198	72,519	15,021	10,794	136,532
<b>Carrying amount</b>	<b>59,058</b>	<b>72,959</b>	<b>6,227</b>	<b>5,205</b>	<b>143,449</b>

## 15. Property, plant and equipment (cont'd)

### Analysis of freehold land and buildings

	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>Group - 2008</b>			
<b>Cost</b>			
At 1 January 2008	19,064	78,192	97,256
Additions	-	1,041	1,041
Disposals	(4,394)	(11,580)	(15,974)
Reclassification	-	850	850
At 31 December 2008	<u>14,670</u>	<u>68,503</u>	<u>83,173</u>
<b>Accumulated depreciation</b>			
At 1 January 2008	-	38,198	38,198
Charge for the year	-	2,628	2,628
Disposals	-	(9,833)	(9,833)
At 31 December 2008	<u>-</u>	<u>30,993</u>	<u>30,993</u>
<b>Carrying amount</b>	<u>14,670</u>	<u>37,510</u>	<u>52,180</u>
<b>Group - 2007</b>			
<b>Cost</b>			
At 1 January 2007	20,658	77,378	98,036
Additions	8	1,275	1,283
Disposals	(1,602)	(461)	(2,063)
At 31 December 2007	<u>19,064</u>	<u>78,192</u>	<u>97,256</u>
<b>Accumulated depreciation</b>			
At 1 January 2007	-	35,459	35,459
Charge for the year	-	3,179	3,179
Disposals	-	(440)	(440)
At 31 December 2007	<u>-</u>	<u>38,198</u>	<u>38,198</u>
<b>Carrying amount</b>	<u>19,064</u>	<u>39,994</u>	<u>59,058</u>

## 15. Property, plant and equipment (cont'd)

	Buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Company - 2008</b>				
<b>Cost</b>				
At 1 January/31 December 2008	600	434	572	1,606
<b>Accumulated depreciation</b>				
At 1 January 2008	113	355	441	909
Charge for the year	12	48	43	103
At 31 December 2008	125	403	484	1,012
<b>Carrying amount</b>	<b>475</b>	<b>31</b>	<b>88</b>	<b>594</b>
<b>Company - 2007</b>				
<b>Cost</b>				
At 1 January/31 December 2007	600	434	572	1,606
<b>Accumulated depreciation</b>				
At 1 January 2007	101	285	390	776
Charge for the year	12	70	51	133
At 31 December 2007	113	355	441	909
<b>Carrying amount</b>	<b>487</b>	<b>79</b>	<b>131</b>	<b>697</b>

- (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 RM1,146,000 (2007: RM1,489,000).
- (b) The carrying amount of property, plant and equipment pledged to secure bank borrowings as referred to in Note 33 are as follows :

	Group	
	2008 RM'000	2007 RM'000
Land and buildings	11,374	10,002
Plant and machinery	14,422	14,569
Other assets	640	491
	<u>26,436</u>	<u>25,062</u>

Certain assets of the Group at carrying amount of RM99,099,000 (2007: RM104,246,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 33.

## 15. Property, plant and equipment (cont'd)

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

	Group	
	2008 RM'000	2007 RM'000
Outright purchase	5,524	7,531
Lease financing	1,505	3,573
At cost	<u>7,029</u>	<u>11,104</u>

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Motor vehicles	5,255	4,836	79	79
Plant and machinery	5,035	4,812	-	-
Other assets	362	-	-	-
	<u>10,652</u>	<u>9,648</u>	<u>79</u>	<u>79</u>

Details of the terms of the lease arrangements are disclosed in Note 34.

(e) The carrying amount of motor vehicles and freehold land of the Group held in trust by third parties amounted to RM306,000 (2007: RM225,000).

## 16. Investment property

	Group	
	2008 RM'000	2007 RM'000
<b>Cost</b>		
At 1 January/ 31 December	<u>240</u>	<u>240</u>
<b>Accumulated depreciation</b>		
At 1 January	11	5
Charge for the year	3	6
At 31 December	<u>14</u>	<u>11</u>
<b>Carrying amount</b>	<u>226</u>	<u>229</u>
<b>Fair value</b>	<u>280</u>	<u>207</u>

The above property is subject to negative pledge in relation to the bank borrowing as disclosed in Note 33.



## 17. Prepaid land lease payments

	Group	
	2008 RM'000	2007 RM'000
At 1 January	3,271	3,165
Additions	111	-
Acquisition of subsidiary (Note 18)	-	569
Disposal	-	(419)
Amortisation	(94)	(44)
At 31 December	<u>3,288</u>	<u>3,271</u>

The prepaid land lease payments are in respect of a piece of long term leasehold land which is pledged to secure bank borrowings as referred to in Note 33.

## 18. Investments in subsidiaries

	Company	
	2008 RM'000	2007 RM'000
Unquoted shares at cost	78,361	78,361
Accumulated impairment losses	(10,400)	(2,700)
	<u>67,961</u>	<u>75,661</u>

Details of subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Equity interest held by the Company		Principal activities
		2008	2007	
Sinmah Livestocks Sdn. Bhd.	Malaysia	100%	100%	Contract farming and trading of chicken feeds, day old chicks and vaccines
Sinmah Multifeed Sdn. Bhd.	Malaysia	99.99%	99.99%	Manufacturing and wholesale of chicken feeds
Sinmah Egg Products Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Farm's Best Food Industries Sdn. Bhd.	Malaysia	100%	100%	Poultry processing, contract farming, marketing and distribution of poultry
Sinmah Breeders Sdn. Bhd.	Malaysia	100%	100%	Poultry breeding and hatchery operations
Sinmah Ventures Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Lynbridge Sdn. Bhd.	Malaysia	100%	100%	Dormant
Sinmah Development Sdn. Bhd.	Malaysia	100%	100%	Property development

## 18. Investments in subsidiaries (cont'd)

Name of subsidiary	Country of incorporation	Equity interest held by the Company		Principal activities
		2008	2007	
Farm's Best Eggmart Sdn. Bhd.	Malaysia	100%	100%	Trading of eggs
Chem Ventures Sdn. Bhd.	Malaysia	75%	75%	Trading of chemicals, medication and related equipment
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	51%	51%	Trading of feeds, medication and poultry
Joint Farming Sdn. Bhd.	Malaysia	59%	59%	Poultry farming and trading of feedmeal, medication, day-old-chicks and broilers
Suann Food Processors Sdn. Bhd. (formerly Halal Poultry Meat Processing Sdn. Bhd.)	Malaysia	100%	100%	Poultry meat processing
SM Broilers Sdn. Bhd.	Malaysia	100%	100%	Marketing and distribution of poultry products
Realtemas Realty Sdn. Bhd.	Malaysia	100%	100%	Property development
Sinmah Builders Sdn. Bhd.	Malaysia	100%	100%	Building and general contracting and provision of management services
Cosmal Enterprise Sdn. Bhd.	Malaysia	100%	100%	Property development
Sinmah Poultry Farm Sdn. Bhd.	Malaysia	100%	100%	Poultry farming and investment holding
Premier Layer Breeders Sdn. Bhd.	Malaysia	100%	100%	Dormant
Joint Food Processing Sdn. Bhd.	Malaysia	60%	60%	Manufacturing of food products and research and development on food technology
Bersatu Segar Sdn. Bhd.	Malaysia	100%	100%	Poultry farming
Chix Unlimited Inc. *	Philippines	51%	51%	Hatchery operations
FB Food (Nanjing) Pte. Ltd. *	People's Republic of China	100%	100%	International trade, import and export of poultry products, value-added production and sales and marketing
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	100%	100%	Poultry farming and trading

\* Audited by firms of auditors other than Ernst & Young

## 18. Investments in subsidiaries (cont'd)

### Acquisition of subsidiary

- (a) In the previous year, the Company acquired a 100% equity interest in Dee Huat Farming Trading Sdn. Bhd., comprising of 250,000 ordinary shares of RM1.00 each for a cash consideration of RM805,000.
- (b) There was no significant impact on the Group's revenue and loss for the year had the acquisition occurred on 1 January 2007.
- (c) The acquisition of Dee Huat Farming Trading Sdn. Bhd. did not constitute a business combination and the cost of acquisition has been allocated to the individual identifiable assets and liabilities acquired based on their relative fair values at the acquisition date as follows:

	RM'000
Prepaid land lease payments (Note 17)	569
Trade and other receivables	236
Cash at bank	3
Trade and other payables	(3)
Purchase consideration satisfied by cash	805
Cash and cash equivalents of subsidiary acquired	(3)
Net cash outflow of the Group	802

## 19. Investments in associates

	Group	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost	5,646	5,646
Share of post acquisition reserves	(1,462)	(582)
	<u>4,184</u>	<u>5,064</u>

Details of the associates are as follows :

Name of company	Country of incorporation	Equity interest held by Group		Principal activities
		2008	2007	
S.M. Enterprise (Nanjing) Pte. Ltd.	People's Republic of China	50%	50%	Trading of poultry and operating restaurant chains
SMNS Rubber Holdings Sdn. Bhd.	Malaysia	50%	50%	Management of rubber small holdings
Ban Yen Sdn. Bhd.	Malaysia	31%	31%	Poultry breeding and hatchery operations

## 19. Investments in associates (cont'd)

- (a) In the previous year, Joint Farming Sdn. Bhd., a subsidiary of the Company, disposed of its 20% equity interest in Farm's Goodness Sdn. Bhd. for a cash consideration of RM160,000 and Farm's Best Food Industries Sdn. Bhd., another subsidiary of the Company, disposed of its 25% equity interest in its Sinmah Poultry Processing (S) Pte. Ltd. for a cash consideration of SGD1,550,000 (equivalent to RM3,441,607).
- (b) The reporting dates of the financial statements of the above associates are coterminous with those of the Group and the summarised financial statements of the associates which have been equity accounted for in the financial statements of the Group are summarised as follows:

	2008 RM'000	2007 RM'000
<b>Assets and liabilities</b>		
Current assets	15,578	15,070
Non-current assets	17,579	18,148
Total assets	<u>33,157</u>	<u>33,218</u>
Current liabilities	(15,948)	(12,951)
Non-current liabilities	(10,838)	(11,164)
Total liabilities	<u>(26,786)</u>	<u>(24,115)</u>
<b>Results</b>		
Revenue	22,301	26,384
(Loss)/profit for the year	<u>(2,735)</u>	<u>1,573</u>

## 20. Other investments

	Group	
	2008 RM'000	2007 RM'000
Quoted shares in Malaysia, at cost	123	152
Accumulated impairment losses	(90)	(90)
	<u>33</u>	<u>62</u>
Market value of quoted shares in Malaysia	<u>10</u>	<u>90</u>

The directors consider the impairment of the above investment, if any, to be insignificant.

## 21. Goodwill

Group	Goodwill RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
At 1 January 2007	19,660	(5,922)	13,738
Recognised during the year (Note 10)	-	(2,200)	(2,200)
At 31 December 2007	19,660	(8,122)	11,538
At 1 January/31 December 2008	19,660	(8,122)	11,538

### Impairment tests for goodwill

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

	2008 RM'000	2007 RM'000
Poultry Division		
Syarikat Perniagaan Suann Sdn. Bhd.	452	452
Joint Farming Sdn. Bhd.	782	782
Suann Food Processors Sdn. Bhd. (formerly Halal Poultry Meat Processing Sdn. Bhd.)	1,708	1,708
Sinmah Breeders Sdn. Bhd.	38	38
Sinmah Poultry Farm Sdn. Bhd.	6,146	6,146
Chix Unlimited Inc.	148	148
Housing Development		
Sinmah Development Sdn. Bhd.	2,264	2,264
	<u>11,538</u>	<u>11,538</u>

### 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:

	Poultry division		Housing development	
	2008	2007	2008	2007
Growth rates	2%	2%	-	-
Gross margins	11%	13%	18%	20%
Discount rate	8%	8%	10%	10%

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

- (i) 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.
- (ii) 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, increased for expected efficiency improvements and after considering current economic conditions.

## 21. Goodwill (cont'd)

### Key assumptions used in value-in-use calculations (cont'd)

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

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.

## 22. Deferred tax assets/(liabilities)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	(1,681)	4,508	-	-
Recognised in income statement (Note 13)	2,777	(6,189)	-	-
At 31 December	<u>1,096</u>	<u>(1,681)</u>	<u>-</u>	<u>-</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(2,705)	(3,942)	-	-
Deferred tax liabilities	<u>3,801</u>	<u>2,261</u>	<u>-</u>	<u>-</u>
	<u>1,096</u>	<u>(1,681)</u>	<u>-</u>	<u>-</u>

The components and movements of deferred tax (assets)/liabilities during the financial year prior to offsetting are as follows :

	As at 1 January RM'000	Recognised in income statement RM'000	As at 31 December RM'000
<b>Group - 2008</b>			
Property, plant and equipment	20,314	576	20,890
Unabsorbed tax losses and capital allowances	(13,725)	344	(13,381)
Unabsorbed re-investment allowances	(2,967)	413	(2,554)
Others	(5,303)	1,444	(3,859)
	<u>(1,681)</u>	<u>2,777</u>	<u>1,096</u>
<b>Group - 2007 (Restated)</b>			
Property, plant and equipment	21,399	(1,085)	20,314
Unabsorbed tax losses and capital allowances	(13,861)	136	(13,725)
Unabsorbed re-investment allowances	(1,255)	(1,712)	(2,967)
Others	(1,775)	(3,528)	(5,303)
	<u>4,508</u>	<u>(6,189)</u>	<u>(1,681)</u>

## 22. Deferred tax assets/(liabilities) (cont'd)

	As at 1 January RM'000	Recognised in income statement RM'000	As at 31 December RM'000
<b>Company - 2008</b>			
Property, plant and equipment	32	(15)	17
Unabsorbed tax losses and capital allowances	(32)	15	(17)
	-	-	-
<b>Company - 2007</b>			
Property, plant and equipment	37	(5)	32
Unabsorbed tax losses and capital allowances	(82)	50	(32)
Others	45	(45)	-
	-	-	-

Deferred tax assets have not been recognised in respect of the following items :

	Group	
	2008 RM'000	2007 RM'000
Unutilised tax losses	58,981	52,061
Unabsorbed capital allowances	9,623	7,796
Unabsorbed re-investment allowances	8,578	10,141
Unabsorbed investment tax allowances	29,034	32,736
	<u>106,216</u>	<u>102,734</u>

## 23. Land held for property development

Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
At 1 January 2007	2,204	6,770	348	9,322
Disposal	(2,204)	-	(348)	(2,552)
At 31 December 2007	-	6,770	-	6,770
At 1 January/31 December 2008	-	6,770	-	6,770

The leasehold land of the Group is pledged to secure bank borrowings as disclosed in Note 33.

## 24. Property development costs

Group - 2008	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>Cumulative property development costs</b>				
At 1 January 2008	1,569	3,216	10,965	15,750
Costs incurred during the year	-	-	8,771	8,771
Reversal of completed projects	(612)	-	(3,089)	(3,701)
At 31 December 2008	957	3,216	16,647	20,820
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2008	396	175	932	1,503
Recognised during the year (Note 7)	332	88	4,859	5,279
Reversal of completed projects	(612)	-	(3,089)	(3,701)
At 31 December 2008	116	263	2,702	3,081
<b>Carrying amount</b>	<b>841</b>	<b>2,953</b>	<b>13,945</b>	<b>17,739</b>
<b>Group - 2007</b>				
<b>Cumulative property development costs</b>				
At 1 January 2007	1,569	3,216	5,309	10,094
Costs incurred during the year	-	-	6,359	6,359
Reversal of completed projects	-	-	(703)	(703)
At 31 December 2007	1,569	3,216	10,965	15,750
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2007	60	-	279	339
Recognised during the year (Note 7)	336	175	1,356	1,867
Reversal of completed projects	-	-	(703)	(703)
At 31 December 2007	396	175	932	1,503
<b>Carrying amount</b>	<b>1,173</b>	<b>3,041</b>	<b>10,033</b>	<b>14,247</b>

Development costs incurred during the year include interest of RM516,000 (2007: RM340,000). Capitalisation of interest is based on the actual interest rate of bridging loans obtained for the specific purpose of development amounting to 8.25% (2007: 8.25%) per annum.



**25. Biological assets**

	Group	
	2008 RM'000	2007 RM'000
At cost:		
Hatching eggs	1,781	1,570
Day old chicks	2,061	2,649
Pullets	299	3,263
At cost less amortisation:		
Layers	5,231	2,749
Breeders	7,798	7,025
	<u>17,170</u>	<u>17,256</u>

**26. Inventories**

	Group	
	2008 RM'000	2007 RM'000
At cost:		
Raw materials, medical supplies and chemicals	7,946	6,422
Processed chickens	5,160	4,882
Trading eggs	97	160
Consumable supplies	3,205	3,551
Completed houses and shops	2,881	3,312
Ingredient stocks and others	1,123	1,318
	<u>20,412</u>	<u>19,645</u>

**27. Trade receivables**

	Group	
	2008 RM'000	2007 RM'000
Amounts due from:		
- Associates	8,199	6,312
- Third parties	131,572	131,304
Retention sums	229	704
Accrued billings in respect of property development costs	106	116
	<u>140,106</u>	<u>138,436</u>
Provision for doubtful debts (Third parties)	(20,713)	(22,325)
	<u>119,393</u>	<u>116,111</u>

Bad debts of RM1,851,000 (2007: RM34,000) have been directly written off against the provision account during the year.

## 27. Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

## 28. Other receivables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due from related parties:				
- Holding company	508	508	508	508
- Subsidiaries	-	-	50,976	61,206
Due from third parties:				
- Proceeds from disposal of property, plant and equipment	3,220	315	-	-
- Advances to transport provider	4,518	4,301	-	-
- Others	3,238	2,735	24	24
Deposits	6,411	4,662	10	10
Prepayments	1,058	1,382	3	4
	<u>18,953</u>	<u>13,903</u>	<u>51,521</u>	<u>61,752</u>
Provision for doubtful debts:				
- Subsidiaries	-	-	(27,419)	(55,717)
- Third parties	(1,185)	(770)	-	-
	<u>17,768</u>	<u>13,133</u>	<u>24,102</u>	<u>6,035</u>

The amounts due from holding company and from subsidiaries are unsecured, repayable on demand and are interest-free except that interest of RM386,000 (2007: RM747,000) was recouped from certain subsidiaries in prior year as disclosed in Note 9.

The amount due in respect of disposal of property, plant and equipment is interest-free with payment periods not expected to exceed 9 months from the balance sheet date.

There were no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for the Company's exposure to the holding company and subsidiaries, the amounts of which account for 98% (2007: 99%) of the gross receivables of the Company.

## 29. Cash and cash equivalents

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash on hand and at banks	7,207	2,861	-	1
Money market placements	3,506	-	-	-
Deposits with licensed banks	48	65	-	-
	<u>10,761</u>	<u>2,926</u>	<u>-</u>	<u>1</u>
Less : Bank overdrafts (Note 33)	<u>(19,372)</u>	<u>(31,305)</u>	<u>(9,888)</u>	<u>(9,970)</u>
	<u>(8,611)</u>	<u>(28,379)</u>	<u>(9,888)</u>	<u>(9,969)</u>

Included in cash at banks of the Group is an amount of RM455,000 (2007: 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 33.

The weighted average effective interest rates per annum and the average maturities of deposits and money market placements at the balance sheet date were as follows:

	Weighted Average Interest Rates		Average Maturities	
	2008	2007	2008	2007
Deposits with licensed banks	3.7%	3.8%	365 days	365 days
Money market placements	2.0%	-	60 days	-

Other information on financial risks of cash and cash equivalents are disclosed in Note 42.

## 30. Share capital

	Group and Company Number		Group and Company Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
<b>Authorised shares of RM1 each</b>				
At beginning and end of the year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid up ordinary shares of RM1 each</b>				
At beginning and end of the year	<u>55,530</u>	<u>55,530</u>	<u>55,530</u>	<u>55,530</u>

On 21 October 1997, the Company issued 14,799,260 warrants whereby each warrant carried the right to subscribe for one new ordinary share of RM1.00 each in the Company at RM5.95 per share. None of the warrants were exercised during the subscription period which expired on 17 September 2007.

### 31. Share premium

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

### 32. Foreign exchange 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.

### 33. Borrowings

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Short term borrowings</b>				
Bank overdrafts (Note 29)	19,372	31,305	9,888	9,970
Bankers' acceptances	60,360	83,205	-	-
Revolving credits	53,044	-	-	-
Term loans	8,668	12,235	2,872	2,736
Trust receipts	345	-	-	-
Finance lease payables (Note 34)	2,804	2,835	-	49
	<u>144,593</u>	<u>129,580</u>	<u>12,760</u>	<u>12,755</u>
<b>Long term borrowings</b>				
Term loans	44,327	17,693	4,919	7,422
Finance lease payables (Note 34)	2,652	3,272	-	-
	<u>46,979</u>	<u>20,965</u>	<u>4,919</u>	<u>7,422</u>
<b>Total borrowings</b>				
Bank overdrafts	19,372	31,305	9,888	9,970
Bankers' acceptances	60,360	83,205	-	-
Revolving credits	53,044	-	-	-
Term loans	52,995	29,928	7,791	10,158
Trust receipts	345	-	-	-
Finance lease payables	5,456	6,107	-	49
	<u>191,572</u>	<u>150,545</u>	<u>17,679</u>	<u>20,177</u>

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 15, 16, 17 and 29. The borrowings of the subsidiaries are additionally guaranteed given by the Company.

### 33. Borrowings (cont'd)

The term loans of the Company are additionally secured against 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.

Other information on financial risks of borrowings are disclosed in Note 42.

### 34. Finance lease payables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Minimum finance lease payments</b>				
Within the 1st year	3,113	3,210	-	56
Within the 2nd year	1,931	2,266	-	-
Within the 3rd to 5th year	927	1,310	-	-
	5,971	6,786	-	56
Less : Future finance charges	(515)	(679)	-	(7)
Present value	5,456	6,107	-	49
<b>Analysed as</b>				
Due within 12 months (Note 33)	2,804	2,835	-	49
Due after 12 months (Note 33)	2,652	3,272	-	-
	5,456	6,107	-	49

Other information on financial risks of finance lease payables are disclosed in Note 42.

### 35. Trade payables

	Group	
	2008 RM'000	2007 RM'000
Due to associates	126	125
Third parties	48,971	69,911
Retention sums	1,129	1,261
	50,226	71,297

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2007: 30 to 90) days.

### 36. Other payables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due to related parties:				
- Holding company	4	-	-	-
- Subsidiaries	-	-	332	6,234
- Directors of subsidiaries	780	395	-	-
Third parties	20,030	19,368	75	72
Accruals	4,517	6,305	260	465
	<u>25,331</u>	<u>26,068</u>	<u>667</u>	<u>6,771</u>

The amounts due to related parties are unsecured, interest-free and repayable on demand.

### 37. Significant 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		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>With holding company</b>				
Contra of amount from holding to subsidiary	-	800	-	800
<b>With subsidiaries</b>				
Advances from subsidiaries	-	-	3,151	6,440
Advances to subsidiaries	-	-	1,983	-
Cash repayments to subsidiaries	-	-	1,308	-
Cash repayments by subsidiaries	-	-	750	3,800
Repayment through contra within subsidiaries	-	-	14,310	18,266
Payments on behalf by subsidiaries	-	-	4,036	221
Gross dividend from subsidiaries	-	-	600	3,810
Interest recouped from subsidiaries	-	-	386	746
Allocation of centralised service costs by subsidiaries	-	-	269	270
<b>With other related parties</b>				
Sales to an associate,	1,878	4,035	-	-
Purchases from associate	1,024	4,811	-	-
Rental paid to a director of a subsidiary	32	32	-	-
Companies connected to certain directors:				
- Vehicle maintenance services	240	633	-	-
- Purchases	769	393	-	-

Compensation for key management personnel is disclosed in Note 10.

### 38. Contingent liabilities

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	-	-	171,610	127,208
Legal claim by a supplier	2,398	2,398	-	-

The legal claim by a supplier was in respect of a civil suit filed on 2 February 1999 against a subsidiary for a claim for goods delivered amounting to approximately RM2,398,000. The directors are of the opinion that such claim is without basis as the goods delivered by the supplier were not of merchantable quality and unfit for its purpose and hence, no provision for any liabilities has been made in the financial statements. The last court hearing was on 6 February 2007 during which the learned judge gave directions for the parties to file written submissions and a date will be fixed for decision thereafter.

### 39. Commitments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Capital commitments</b>				
Contracted but not provided for	-	972	-	-
<b>Other commitments</b>				
Minimum lease payments under non-cancellable operating leases :				
Within the 1st year	1,875	3,915	-	-
Within the 2nd year	1,875	3,915	-	-
Within the 3rd to 5th year	5,625	11,745	-	-
After the 5th year	1,259	4,479	-	-
	10,634	24,054	-	-

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.

### 40. Comparatives

Certain comparatives have been restated as a result of the change in accounting policy on income taxes as disclosed in Note 4.1.

## 41. Segment information

### (a) Business segments

The Group is organised into two major business segments:

- (i) Poultry - This consists of manufacturing and wholesale of animal feeds, poultry breeding, hatchery operations, contract farming, poultry processing and trading of feeds, day-old chicks, medications and vaccines.
- (ii) Housing development - This consists of development and construction of residential and commercial properties.

Other business segments include investment holding and provision of management services, none of which are of a sufficient size to be reported separately.

2008	Poultry RM'000	Housing development RM'000	Others RM'000	Total RM'000
<b>Revenue</b>	392,673	7,587	-	400,260
<b>Results</b>				
Segment results	10,238	(428)	(1,225)	8,585
Finance income	38	12	-	50
Finance costs	(8,674)	(144)	(1,456)	(10,274)
Share of results of associates	(781)	-	(99)	(880)
(Loss)/profit before tax	821	(560)	(2,780)	(2,519)
Tax income/(expense)	(3,138)	79	-	(3,772)
Loss for the year	(2,317)	(481)	(2,780)	(6,291)
<b>Assets</b>				
Investment in associates	2,619	-	1,565	4,184
Segment assets	324,363	30,813	2,964	358,140
Unallocated assets				4,801
Total assets				362,941
<b>Liabilities</b>				
Segment liabilities	235,596	11,678	19,855	267,129
Unallocated liabilities				4,183
Total liabilities				271,312
<b>Other information</b>				
Capital expenditure	7,122	18	-	7,140
Depreciation and amortisation	9,695	157	111	9,963



## 41. Segment information (cont'd)

## (a) Business segments (cont'd)

2007	Poultry RM'000	Housing development RM'000	Others RM'000	Total RM'000
<b>Revenue</b>				
External sales	369,538	12,774	-	382,312
<b>Results</b>				
Segment results	2,227	2,630	49	4,906
Finance income	3	101	-	104
Finance costs	(7,971)	(309)	(1,979)	(10,259)
Shares of results of associates	410	-	155	565
(Loss)/profit before tax	(5,331)	2,422	(1,775)	(4,684)
Tax income/(expense)	5,052	(468)	-	4,584
(Loss)/profit for the year	(279)	1,954	(1,775)	(100)
<b>Assets</b>				
Investment in associates	3,400	-	1,664	5,064
Segment assets	308,590	39,268	779	348,637
Unallocated assets				5,539
Total assets				359,240
<b>Liabilities</b>				
Segment liabilities	209,914	17,266	20,730	247,910
Unallocated liabilities				2,741
Total liabilities				250,651
<b>Other information</b>				
Capital expenditure	11,047	57	-	11,104
Depreciation and amortisation	10,484	179	133	10,796

## (b) Geographical segments

As the Group's activities are principally conducted in Malaysia, segment reporting by geographical segment is not prepared.

## 42. Financial instruments

## (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk, interest rate risks (both fair value and cash flow) and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

## 42. Financial instruments (cont'd)

### (b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. 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 and policies and procedures are in place to ensure that the Group's exposure to bad debts is kept to the minimum. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. 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 instruments except for the Company's exposure to amounts due from its holding company and subsidiaries as disclosed in Note 28.

### (c) Liquidity risk

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 cashflow commitments.

### (d) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings as it has no interest-bearing financial assets except for those placed in fixed deposits which are mainly short term in nature. Borrowings at floating rates expose the Group to interest rate risk.

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.

The following table sets out the weighted average effective interest rates ("WAEIR") as at the balance sheet date, the carrying amounts and remaining maturity periods of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

## 42. Financial instruments (cont'd)

### (d) Interest rate risk (cont'd)

Group	Note	WAEIR %	1st year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	Thereafter RM'000	Total RM'000
<b>2008</b>									
Deposits with									
licensed bank	29	3.7%	48	-	-	-	-	-	48
Money market									
placements	29	2.0%	3,506	-	-	-	-	-	3,506
Bank overdrafts	33	8.8%	(19,372)	-	-	-	-	-	(19,372)
Bankers'									
acceptance	33	3.7%	(60,360)	-	-	-	-	-	(60,360)
Revolving credits	33	8.4%	(53,044)	-	-	-	-	-	(53,044)
Term loans	33	7.7%	(8,669)	(6,710)	(7,885)	(5,589)	(4,761)	(19,381)	(52,995)
Trust receipts	33	10.1%	(345)	-	-	-	-	-	(345)
Finance lease									
payables	34	4.4%	(2,804)	(1,785)	(779)	(88)	-	-	(5,456)
<b>2007</b>									
Deposits with									
licensed bank	29	3.8%	65	-	-	-	-	-	65
Bank overdrafts	33	8.7%	(31,305)	-	-	-	-	-	(31,305)
Bankers'									
acceptance	33	3.7%	(83,205)	-	-	-	-	-	(83,205)
Term loans	33	7.3%	(12,235)	(7,814)	(4,374)	(3,270)	(1,256)	(979)	(29,928)
Finance lease									
payables	34	6.5%	(2,837)	(2,062)	(967)	(241)	-	-	(6,107)
<b>Company</b>									
<b>2008</b>									
Bank overdrafts	33	8.5%	(9,888)	-	-	-	-	-	(9,888)
Term loans	33	6.9%	(2,872)	(2,872)	(2,047)	-	-	-	(7,791)
<b>2007</b>									
Bank overdrafts	33	8.5%	(9,970)	-	-	-	-	-	(9,970)
Term loans	33	6.9%	(2,736)	(2,736)	(2,850)	(1,836)	-	-	(10,158)
Finance lease									
payables	34	6.6%	(49)	-	-	-	-	-	(49)

## 42. Financial instruments (cont'd)

### (e) Fair values

The carrying amounts of the fixed and floating rate borrowings of the Group and of the Company approximate fair values as the interest rates charged are either close, or pegged, to market interest rates of loans of similar risk profile as at balance sheet date.

The carrying amounts of the other financial assets and other financial liabilities of the Group and of the Company approximate fair values in view of their relatively short maturity periods.

### (f) Foreign exchange risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The Group does not enter into derivative foreign exchange contracts to hedge its foreign currency risk.

The net unhedged financial assets/(liabilities) that are not denominated in their functional currencies are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Singapore Dollar	8,454	3,275	-	-
United States Dollar	(7,629)	(16,066)	(7,791)	(10,158)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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 Shareholders	%	No. of Shares	%
Less than 100	118	4.49	1,569	0.00
100 to 1,000	620	23.58	452,663	0.82
1,001 to 10,000	1,478	56.22	6,578,076	11.85
10,001 to 100,000	376	14.30	11,121,750	20.03
100,001 to less than 5% of issued shares	34	1.30	6,147,300	11.06
5% of issued shares and above	3	0.11	31,228,905	56.24
<b>Total</b>	<b>2,629</b>	<b>100.00</b>	<b>55,530,263</b>	<b>100.00</b>

### THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1. OSK Nominees (Tempatan) Sdn Berhad - Pledged Securities Account for F.C.H. Holdings Sdn Bhd	14,000,000	25.21
2. DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt an for Deutsche Bank AG London (PB Priam)	10,880,200	19.59
3. MERCSEC Nominees (Tempatan) Sdn Bhd - F.C.H. Holdings Sdn Bhd	6,348,705	11.43
4. Ng Chee Loong	485,000	0.87
5. Onn Kok Puay (Weng GuoPei)	483,700	0.87
6. Yeo Kiam Yam @ Yeo Kian Yam	365,000	0.66
7. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong	300,000	0.54
8. Lim Pang Hoo	291,300	0.53
9. Teo Kim Fai	250,000	0.45
10. Lee Tiow Ghee	200,000	0.36

Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
11. M.I.T Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Rajinder Kaur A/P Piara Singh	193,600	0.35
12. Soh Kok Heng	190,000	0.34
13. HSBC Nominees (Tempatan) Sdn Bhd - Ng Song Hey	188,000	0.34
14. AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Chin Seong	183,800	0.33
15. SJ SEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Saw Sim	172,000	0.31
16. Lee Cheng Oon @ Lee Tiong Oon	167,000	0.30
17. AIBB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loh Teck Fatt	160,000	0.29
18. Khoo Ting Hock	157,000	0.28
19. Ong Chin Hua	155,000	0.28
20. Ng Hua Boon	153,000	0.28
21. Goh Sock Sin	146,800	0.27
22. Hoong Cho Kiang	145,100	0.26
23. Onn Ping Lan	139,300	0.25
24. Hew Yook Keong	133,300	0.24
25. Lim Gah Beng	129,200	0.23
26. Lee Yok Koon	127,600	0.23
27. DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	126,500	0.23
28. Gan Seo Kang	122,000	0.22
29. Yee Kim Ee	117,000	0.21
30. HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Yee Kim Ee	116,100	0.21
<b>TOTAL</b>	<b>36,626,205</b>	<b>65.96</b>

**DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS**

Name	Direct	Shareholdings		%
		%	Indirect	
Datuk Hj. Zainal Bin Hj. Shamsudin	-	-	-	-
Dato' Fong Kok Yong	-	-	20,348,705*	36.65
Datuk Fong Kiah Yeow	108,000	0.19	20,348,705*	36.65
Fong Ngan Teng	-	-	20,348,705*	36.65
Fong Choon Kai	-	-	20,348,705*	36.65
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**

Name	Direct	Shareholdings		%
		%	Indirect	
F.C.H. Holdings Sdn Bhd	20,348,705	36.65	-	-
Dato' Fong Kok Yong	-	-	20,348,705*	36.65
Datuk Fong Kiah Yeow	108,000	-	20,348,705*	36.65
Fong Ngan Teng	-	-	20,348,705*	36.65
Fong Choon Kai	-	-	20,348,705*	36.65
Priam Holdings Limited	10,880,200	19.59	-	-

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

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
<b>100% OWNED SUBSIDIARIES</b>				
Lot 5253, 5254, 5255, 5256 & 236 GM 551, 552, 527, 528 & EMR 1369 Mukim Jeram Batu Johor	Broiler Farm	Freehold	2,326,531	1994
Lot 5541 & 4332, C.T. No. 11382 Mukim of Rantau District of Seremban Negeri Sembilan	Broiler Farm	Freehold	694,440	1994
Lot 3206 H.S. (D) 444 Titian Bintagor Negeri Sembilan	Broiler Farm	Freehold	88,290	1994
Lot No. 799 & 800 Mukim of Sungai Siput District of Alor Gajah Melaka	Breeder Farm	Freehold	3,001,849	1987
Lot No. 2893 - 2899 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	4,208,641	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	2,223,210	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah Melaka	Breeder Farm	Freehold	1,214,894	1981
Lot 1618, 1854, 1855, 0963, 959, 639 & 640 EMR 1660 Grant No. 4926, 4905, 3113, 2374 EMR 1122 & 1059 Mukim Lenga, Muar Johor	Breeder Farm	Freehold	1,587,148	1996
Lot 458 & 459 C.T. No. 8770 & 8771 Tebong, Tampin Negeri Sembilan	Breeder Farm	Freehold	1,307,314	1994



LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
L.O. No. 1039 & 1040 Q.T.(R) 15 & 16 Mukim Keru, Tampin Negeri Sembilan	Broiler Farm	Freehold	124,126	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat Johor	Broiler Farm	Freehold	817,860	1995
MLO 8663 H.S.(D) 2631 Mukim Sembrong Johor	Broiler Farm	Freehold	650,972	1995
Lot 647 & 658 Mukim Tanjong Minyak Melaka	Vacant Land	Freehold	1,400,851	1996
P.T. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya Melaka	3 1/2 Storey Intermediate shoplot	Leasehold (expiring 2075)	410,355	2003
Lot 1599, C.T. 6270 Port Dickson Negeri Sembilan	Broiler Farm	Freehold	1,909,247	1995
Taman Mewah Alor Gajah Melaka	6 Units of 2- bedroom Apartment	Leasehold (Expiring in 2091)	135,428	1995
PTD 64217 H.S.(D) 208128 Mukim Tebrau Johor	1 1/2 Storey Terrace Factory	Freehold	298,570	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	1,180,180	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	4,496,213	1994
Lot 3, 4 & 5 Masjid Tanah Ind. Estate Masjid Tanah, Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2095)	10,896,077	1995

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Lot 319, C.T. 107 Mukim Triang Ilir Negeri Sembilan	Broiler Farm	Freehold	758,230	1995
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat Johor	Broiler Farm	Freehold	512,119	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII, Batu Pahat Johor	Broiler Farm	Freehold	714,355	1997
Holding No. 2628, SG574/62 Mukim Sungei Baru Tengah Alor Gajah Melaka	Industrial Land	Freehold	910,944	1997
Lot 2404, EMR 7566 Mukim Jementah Johor	Vacant Land	Freehold	337,682	1997
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	606,025	2006
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	718,961	2005
Block D2-01-01, Type B1 Genting View Resort Phase 4, Bentong Pahang	1 unit of 2 bedrooms apartment	Freehold	167,635	1998
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of bedrooms apartment	Freehold	307,023	1998
PT No.6901, HS(D) No. 34536 Mukim Bukit Katil Daerah Melaka Tengah Negeri Melaka	Double Storey Shop / Office	Freehold	318,390	2000
H.S.(D) 43175, Lot No.PT2113, Mukim of Krubong, District of Melaka Tengah, State of Melaka.	Held for development	Freehold	6,770,342	2006

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
PTD 2163, H.S.(D) 5124 Mukim Grisek District of Muar Johor	Layer farm	Freehold	1,085,471	1997
PTD 2164, H.S.(D) 5125 Mukim Grisek District of Muar Johor	Layer farm	Freehold	575,027	1997
PTD 2165, H.S.(D) 5126 Mukim Grisek District of Muar Johor	Agricultural land	Freehold	212,922	1997
PTD 2166, H.S.(D) 5127 Mukim Grisek District of Muar Johor	Agricultural land	Freehold	243,740	1997
PTD 2167, H.S.(D) 5128 Mukim Grisek District of Muar Johor	Layer farm	Freehold	821,025	1997
PTD 2168, H.S. (D) 5129 Mukim Grisek District of Muar Johor	Layer farm	Freehold	1,045,280	1997
PTD 2169, H.S. (D) 5130 Mukim Grisek District of Muar Johor	Layer farm	Freehold	714,248	1997
PTD 2170, H.S. (D) 5131 Mukim Grisek District of Muar Johor	Layer farm	Freehold	806,130	1997
PTD 2171, H.S. (D) 5132 Mukim Grisek District of Muar Johor	Layer farm	Freehold	537,235	1997
PTD 6321 Grant 4778 Mukim Grisek District of Muar Johor	Layer farm	Freehold	291,675	1997

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
JOINT VENTURE SUBSIDIARIES				
Lot 420, GM59, Mukim Pengkalan Raja, Pontian Johor	Poultry processing plant & coldrooms	Freehold	519,335	1996
H.S.(D) 68575, Mukim Pulai Johor Bahru	Double storey house	Leasehold (99 years)	226,363	1996
Grant 60828, Lot 8602, Mukim Jeram Batu 7, 7A & 7B, Jalan Mewah 1 Taman Mewah 81500 Pekan Nenas Johor	Three storey shophouse	Freehold	406,390	2004
Lot 1310, GN47071 Minyak Beku 6, Batu Pahat Johor	Poultry processing plant & coldrooms	Freehold	2,614,222	1991
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat Johor	Broiler farm	Freehold	169,967	1995
Lot 3233, EMR 5066 Minyak Beku 6 Batu Pahat Johor	Broiler farm	Freehold	601,938	1997
Lot 1730, CT 2851 Bandar Penggaram District of Batu Pahat Johor	Double storey terrace shophouse	Freehold	305,301	1998
H.S. (D) 302891, Lot No. PTD15511, Mukim of Sedenak, District of Johor Bahru State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	22,868	2000
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah Melaka	Double storey shophouse	Freehold	170,961	2006

## FIFTEENTH ANNUAL GENERAL MEETING FORM OF PROXY

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 Fifteenth Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Monday, 29 June 2009 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 Datuk Fong Kiah Yeow as Director.		
Ordinary Resolution 4	To re-elect Datuk Ng Peng Hay @ Ng Peng Hong as Director.		
Ordinary Resolution 5	To re-elect Mr Fong Choon Kai 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 authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

\_\_\_\_\_  
(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 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 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 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.



**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

##### MELAKA

No. 154, Jalan Suria 2  
Taman Malim Jaya  
75200 Melaka  
Tel : 06-337 5992  
Fax : 06-335 8266

##### IPOH

80, Jalan Leong Boon Siew  
30000 Ipoh, Perak  
Tel : 06-337 5992  
Fax : 06-335 8266

##### 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 OFFICE

KOTA BHARU  
No. 11, Jalan Hospital  
Kedai MPKB, Berek 12  
15200 Kota Bharu  
Kelantan

#### OVERSEAS ADDRESSES

##### CHIX UNLIMITED INC.

Brgy. Casilagan, Mangatarem  
Pangasinan 2413, Philippines  
Tel : 00 639 737 54004  
Fax : 00 639 737 54004

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**FARM'S BEST BERHAD**  
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