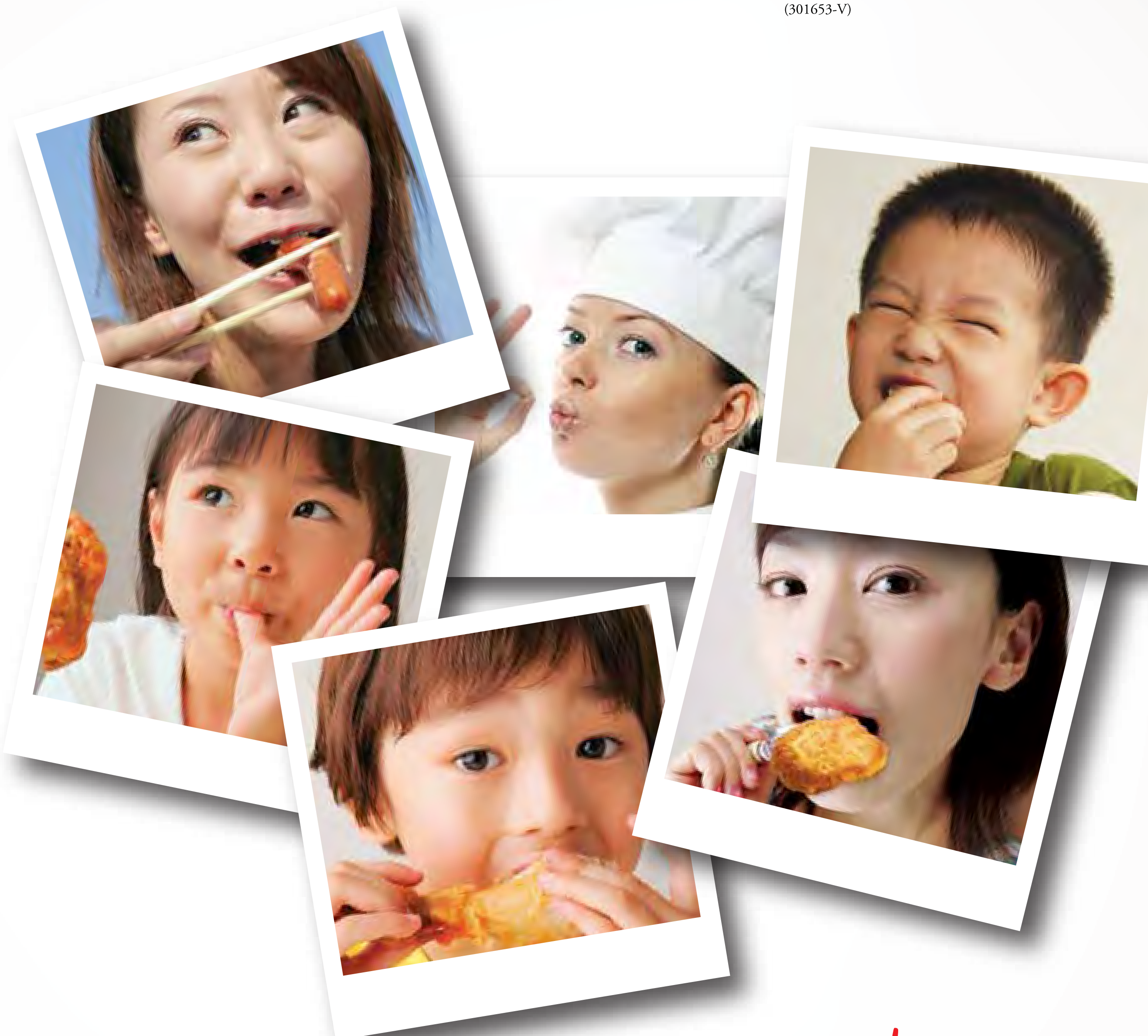
FARM'S BEST BERHAD
(301653-V)



growing with great food

annual report 2010

COVER RATIONALE

The cover features the theme "Growing With Great Food" to emphasize the fact that we are expanding rapidly even as our nutritious products are fuelling the growth of our customers. In line with the theme, delightful photographs of people from all walks of life who are enjoying our products adorn the cover. The pristine background symbolizes the integrity of our organisation. Contemporary and fun, the cover mirrors the lively nature of our corporate spirit.




CONTENTS

Absolutely Everyone's Favourite Choice!

The popularity of our products is indisputable. And it's because we take great pride in providing our customers with unsurpassed quality and value for money.

FARM'S BEST BERHAD
(301653-V)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Tuesday, 28 June 2011 at 10.00 a.m. for the following purposes :-

AGENDA

ORDINARY BUSINESS :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 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 2010. 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) Mr Ng Cheu Kuan — Ordinary Resolution 3
   (b) Encik Mohd Khasan Bin Ahmad — 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

ANY OTHER BUSINESS :-

6. 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

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

Melaka
Date : 6 June 2011

Notes :-

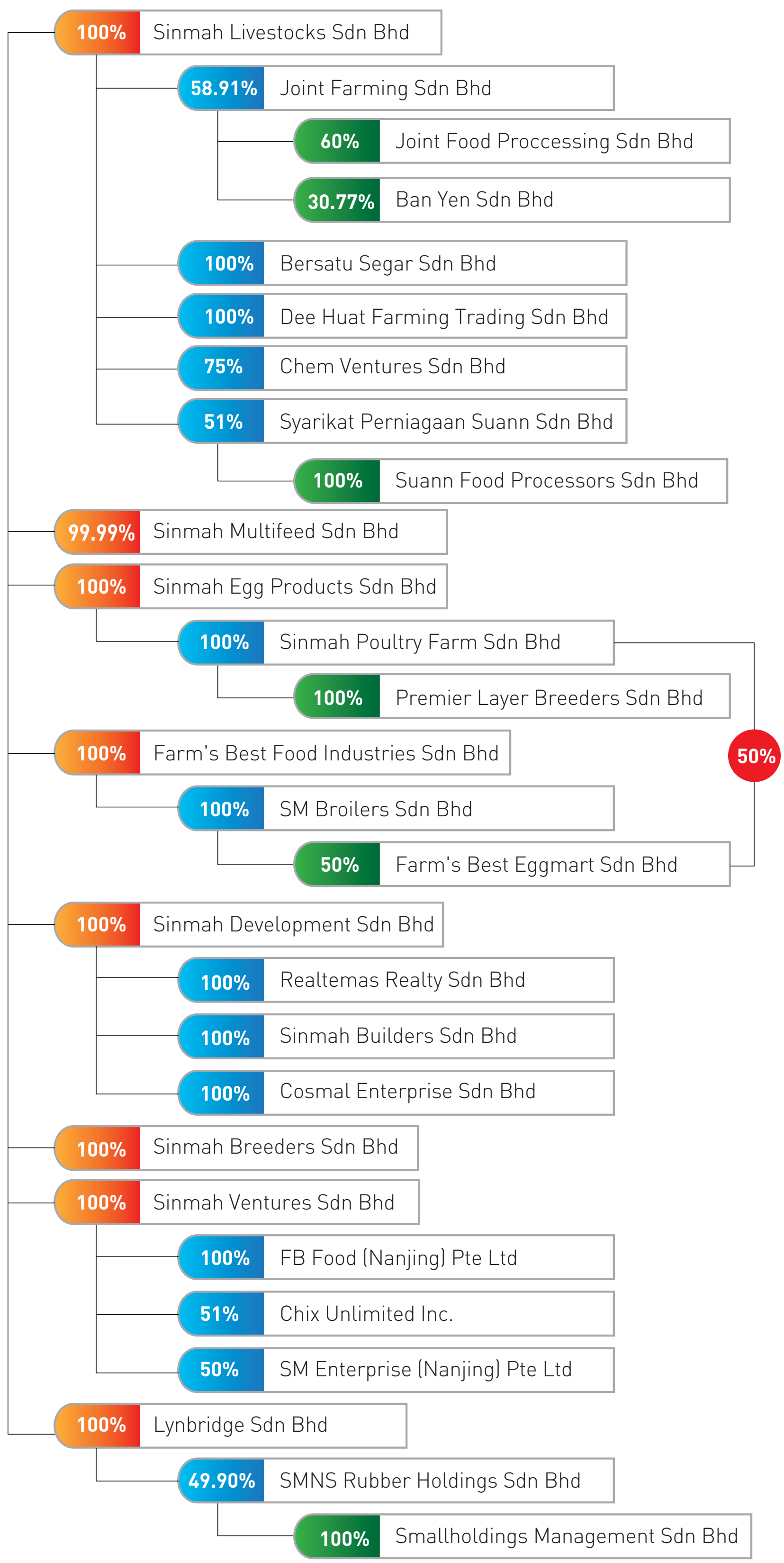
(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

(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 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

CORPORATE STRUCTURE



FARM'S BEST BERHAD
(301653-V)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

Fong Ngan Teng
Executive Director

Fong Choon Kai
Executive Director

Ng Cheu Kuan
Executive Director

Datuk Ng Peng Hay @ Ng Peng Hong
Executive Director

Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

AUDIT COMMITTEE & NOMINATION COMMITTEE

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

Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

REMUNERATION COMMITTEE

Mohd Khasan Bin Ahmad
Chairman,
Senior Independent
Non-Executive Director

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

Haji Baharom Bin Abd. Wahab
Independent Non-Executive Director

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR

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

COMPANY SECRETARIES

Catherine Mah Suik Ching (LS 01302)
Liew Seng Aun (MIA 13109)

AUDITORS

Ernst & Young
Chartered Accountants
Lot 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

Bank Kerjasama Rakyat Malaysia Berhad
AGROBANK (Bank Pertanian Malaysia Berhad)
Malayan Banking Berhad
Asian Finance Bank Berhad
EON Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

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

DIRECTORS' PROFILE

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN,
Chairman, Independent Non-executive Director & Chairman Of Audit Committee, 64 years of age, Malaysian

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

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

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

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

As at the date of this annual report, Y. Bhg. Datuk Hj. Zainal does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2010.

Y. BHG. DATO' FONG KOK YONG
Managing Director,
60 years of age – Malaysian

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

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

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

(i) Advisor to the Federation of Livestock Farmers' Associations of Malaysia (since 1995)

(ii) Member, Malaysian Institute of Management (since 1990)

(iii) Member, Agricultural Institute of Malaysia (since 1985)

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

(i) Secretary General, Federation of Livestock Farmers' Associations of Malaysia (1986 – 1991)

(ii) President, Federation of Livestock Farmers' Associations of Malaysia (1991 – 1995)

(iii) President, Federation of Asean Poultry Producers (March 2003 – March 2005)

(iv) Director, Selangor Chinese Chamber of Commerce and Industry (1991 – 1995)

(v) Director, Malacca Chinese Chamber of Commerce and Industry (1995 to 2000)

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

As at the date of this annual report, Y. Bhg. Dato' Fong Kok Yong has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2010.

DIRECTORS' PROFILE
(cont'd)

Y. BHG. DATUK FONG KIAH YEOW
Executive Director,
56 years of age – Malaysian

FONG NGAN TENG
Executive Director,
53 years of age – Malaysian

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

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

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

As at the date of this annual report, Y. Bhg. Datuk Fong Kiah Yeow has a direct interest of 108,000 shares and an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2010.

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 2010.

FONG CHOON KAI
Executive Director,
49 years of age – Malaysian

NG CHEU KUAN
Executive Director,
56 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 2010.

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 2010.

DIRECTORS' PROFILE
(cont'd)

Y. BHG. DATUK NG PENG HAY @ NG PENG HONG
Executive Director,
59 years of age – Malaysian

HAJI BAHAROM BIN ABD. WAHAB
Independent Non-Executive Director,
76 years of age – Malaysian

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

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

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

Y. Bhg. Datuk Ng Peng Hay is also the Chairman of MCA, 7th Branch Melaka since 1982, Vice Chairman of Malacca State, Malaysia Crime Prevention Foundation (MCPF) and Board member of Malaysian Industrial Development Authority (MIDA).

Y. Bhg. Datuk Ng Peng Hay is also the Independent Non-Executive Director of Bonia Corporation (M) Berhad since 1994, Komarkcorp Berhad since 1997, Ta Win Holdings Berhad since 2000, Chairman of Wellcall Holdings Berhad since 2006. He was also appointed as an Independent Non-Executive Director of Icapital.Biz Berhad on 26 April 2010.

As at the date of this annual report, Y. Bhg. Datuk Ng Peng Hay does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2010.

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

MOHD KHASAN BIN AHMAD
Independent Non-Executive Director,
50 years of age – Malaysian

his contribution to the society, Haji Baharom was conferred the P.J.K. (Pingat Jasa Kebaktian) in 1985 and B.K.T. (Bintang Kelakuan Terpuji) in 2009 by His Excellency, the Govenor of Melaka. Since his retirement in 1990, Haji Baharom was appointed and sits on the Board of several private limited companies.

As at the date of this annual report, Haji Baharom holds 4,500 shares in Farm's Best. He has attended four (4) of the five (5) board meetings held during the financial year ended 31 December 2010.

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

Mohd Khasan obtained a diploma in Accountancy and later graduated with a degree in Accountancy from University Teknologi Mara. He is a member of the Malaysian Institute of Accountants ("MIA"). He served Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the Capital Issues Committee ("CIC") as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He joined the private sector in 1997 and held various senior management positions. Mohd Khasan also sits on the Board of Ta Win Holdings Berhad, Crest Builder Holdings Berhad and Homeritz Corporation Berhad as an Independent Non-Executive Director. Mohd Khasan resigned as Independent Non-Executive Director of Wellcall Holdings Berhad and Ralco Corporation Berhad on 8 December 2010 and 9 March 2011 respectively.

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 2010.

ADDITIONAL INFORMATION

(i) Conflict of interest
None of the Directors have any conflict of interest with the Company.

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

(iii) Conviction for offences (within the past 10 years, other than traffic offences)
None of the Directors have been convicted for offences.

Taste The Freshness In The Food!

Freshness is top priority for us. We go to great length to ensure that our customers can enjoy the natural flavours that can only be found in fresh products.

FARM'S BEST BERHAD
(301653-V)

CHAIRMAN'S STATEMENT

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 2010.

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN
Chairman

CHAIRMAN'S STATEMENT

(cont'd)

PERFORMANCE REVIEW

Introduction

During the current year under review, the Group recorded a profit attributable to owners of the parent of RM1.22 million as opposed to a loss attributable to owners of the parent of RM6.59 million in the previous financial year ended 31 December 2009. This profit was achieved on the back of revenue of RM331.2 million, a decrease of about 4.4% if compared with the revenue of RM346.3 million reported in the previous financial year. Meanwhile, the current year's profit attributable to owners of the parent of RM1.22 million translates to earnings per share of 2.2 sen.

Overall, the Group's performance was better during the current year under review as prices of imported raw feedstuffs softened during the financial year under review, particularly during the second and third quarters of the financial year under review.

In the following sections, I shall highlight the performances of the respective key operative divisions within the Group.

Integrated Poultry Division

During the financial year ended 31 December 2010, the integrated poultry operations of the Group made a profit of about RM4.43 million as opposed to a loss of RM0.23 million during the previous financial year. The better performance was mainly due to the reduction of prices of imported raw materials such as corn and soy bean meal resulting in a lower cost of production of feed.

Egg Layer Division

The Group's egg layer division showed some improvement by posting a lower loss of about RM3.05 million during the current year under review as compared to a loss of about RM3.60 million during the previous financial year. This was mainly due to a better average selling price of table eggs coupled by lower production costs during the financial year under review as compared to the previous financial year.

Overall, both divisions of the Group's poultry operations turned in a combined profit of RM1.38 million during the financial year under review as opposed to a loss of RM3.83 million during the previous financial year.

Housing Development Division

During the financial year under review, the housing development division showed a loss of RM0.59 million as opposed to a profit of RM0.84 million during the previous financial year. Turnover from the housing development division decreased to RM4.77 million during the financial year under review as compared to RM12.16 million during the previous financial year.

The adverse results of the housing development division were mainly due to the early adoption of IC Interpretation 15: Agreements for the Construction of Real Estate, which requires real estate developers which provide construction services to buyer's specification to record revenue only as construction progresses. Otherwise, revenue should be recognized only upon completion of the relevant real estate unit. The Group's current policy is to recognize property development revenue and expenses in the income statement by using the stage of completion method for all long term real estate development projects when the financial outcome of a development activity can be reliably estimated.

The application of this Interpretation necessitated a change in accounting policy as the Group provides services based on the Group's specifications and not buyers' specification. Hence, property development revenue and expenses shall only be recognized only upon completion. The change was applied retrospectively.

In August 2010, the MASB has issued a notice to defer the effective date for IC Interpretation 15 to 1 January 2012. However, the Group has decided to continue the adoption of this interpretation.

CHAIRMAN'S STATEMENT

(cont'd)

The impact of early adoption of IC Interpretation 15 on the results of the Group for the financial year ended 31 December 2010 is a reduction in net profit after taxation of about RM377,000.

Furthermore, there was also profit resulting from the compulsory acquisition of part of its development land in Tanjung Minyak, Melaka by the local state government during the previous financial year ended 31 December 2009.

GOING FORWARD

The Group expects further reduction in its operating cost as it continues its re-engineering processes in the processing plant and other cost cutting strategies within its Group of companies.

Hence, it is hoped that the Group would be able to produce a better set of results for the coming financial year ending 31 December 2011.

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

CORPORATE SOCIAL RESPONSIBILTY

Introduction

Farm's Best Berhad ("Farm's Best") and its subsidiaries ("the Group") is aware of the importance of today's corporations to conduct their business in a socially responsible manner and to deliver sustainable value to society. Hence, consistent with Bursa Malaysia Securities Berhad's Corporate Social Responsibility framework, Farm's Best's Corporate Social Responsibility activities focus on caring to the Environment, Workplace, Community and Marketplace.

Our policies/ activities in these are as follow:-

Environment

The Group is 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 two (2) air emission/quality monitoring jobs. The Group is pleased to report that the 2 reports showed that all parameters sampled and tested complied with EQA/DOE limits.

As part of the Group's commitment to the environment, the Group also engaged a consultant to study and analyse the use of energy at its processing plant with the view of reducing the consumption of energy and to explore the use of "green" energy as part of our responsibility in the conservation of the environment.

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.

CORPORATE SOCIAL RESPONSIBILTY
(cont'd)

During the year ended 31 December 2010, the Alor Gajah District Health Office conducted blood tests for screening of malaria and filariasis brought by mosquitoes at the Group's processing plant in Masjid Tanah. The Alor Gajah District Health Office held the tests for 3 days in February 2010 with 278 foreign workers participating. All 278 workers were found to be negative.

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. During the year ended 31 December 2010, 181 workers at the Group's processing plant in Masjid Tanah, Melaka had undergone typhoid vaccine immunization at the processing plant's clinic to ensure that the workers health were taken care of in order to satisfy the requirements of the Health Ministry.

The Group's processing plant in Masjid Tanah, Melaka also held its annual fire safety training to train its workers and employees in putting out fires should there be any incidences.

The Group's processing plant also held an exhibition on "Health and Safety at the Workplace" in May 2010. This exhibition was very effective in giving awareness to the workers on health and safety at the workplace.

In addition to the above, as part of our continued staff development initiative, we are pleased to report that our fifteen (15) employees selected in 2007 to undertake the Diploma in Manufacturing Management course have successfully completed the course in the middle of 2010.

Besides that, the Group also continuously conducts staff trainings such as "5S"(Housekeeping Programme), "Halal" and "Food Safety" in its effort to produce a competent workforce. During the year ended 31 December 2010, the Group held a workshop on "Slaughtering Chicken and Food Handling" organized in co-operation with JAKIM's Halal Hub Section. The objective of this workshop was to increase the knowledge of workers about chicken slaughtering and handling of Halal food and to update the workers with information on Halal products.

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

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.

During the year, the Group also participated in the "Protin Untuk Rakyat" Program in Selangor by contributing 2,000 whole dressed chickens for the said program.

We also carried out blood donation campaigns amongst our employees in May and November 2010 as part of the Group's contribution towards the Malaysian Blood Bank. A total of 58 workers participated in the 2 campaigns.

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.

Delicious And Incredibly Nutritious!

Our products are wonderfully tasty and they are packed with nutritional goodness. Naturally, our customers can't get enough of our scrumptious treats!

FARM'S BEST BERHAD
(301653-V)


my heart

STATEMENT ON CORPORATE GOVERNANCE

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 2010, 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	4/5	80%
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	100%

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

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 Secreatry 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 35 to 40 of the Annual Report. The activities of the Audit Committee during the year ended 31 December 2010 are also set out under the Audit Committee Report.

2.2 Remuneration Committee

The Remuneration Committee for the financial year ended 31 December 2010 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 2010, to review the remuneration package of the Executive Directors of the Company.

2.3 Nomination Committee

For the financial year ended 31 December 2010, 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 2010, 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 2010, except for Mr. Ng Cheu Kuan, all the Directors of the Company had attended training on Corporate Governance Guide – Towards Boardroom Excellence.

On 15 December 2010, Mr. Ng Cheu Kuan attended a course titled "Design Challenges for the Future – The Malaysian Perspective" organised by Engineering Education Technical Division of the Institute of Engineers, Malaysia.

During the financial year ended 31 December 2010, Dato' Fong Kok Yong also gave a presentation to sixteen (16) representatives from the U.S. Grains Council, on Malaysia's broiler processing plants and farm operations.

On 23 October 2010, Datuk Ng Peng Hay @ Ng Peng Hong attended the Workshop on the 2011 Budget and the Latest Tax Development.

During the financial year ended 31 December 2010, En. Mohd Khasan also attended the following:

1) 2011 RSM RKT Tax Seminar on 28 October 2010.

2) Accounting for Construction Contracts, Property Development Activities and Borrowing Costs – A Practical Approach, on 16 and 17 June 2010.

3) Malaysian Financial Reporting Standards – Recent Developments and Updates, on 7 and 8 July 2010.

4) Securities Commission/Bursa Malaysia Securities sessions on the following topics:-

   a. Launch of Corporate Governance Week and Corporate Governance Roundtable on 28 June 2010.
   b. Independent Directors – Actual verses Perceived Independence, on 29 June 2010.
   c. Views From Boardroom – Challenges Directors Face, on 30 June 2010.

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 2010 are as follows:-

	Executive Directors RM'000	Non- Executive Directors RM'000	Total RM'000
Total remuneration			
Fees	-	96	96
Salaries & other emoluments	2,187	-	2,187
Pension costs – defined contribution plan	263	-	263
	2,450	96	2,546

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
RM350,001 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 means 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 33 to 34 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 35 to 40 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 15.26(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 2010.

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 2010, 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 2010 amounted to RM41,000.

9.7 Variation in Results

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 28 February 2011 announcement of unaudited results for the financial year ended 31 December 2010 and the audited financial statements of the Group for the financial year ended 31 December 2010.

9.8 Profit Guarantee

The Company did not give 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.

STATEMENT ON INTERNAL CONTROL

1. INTRODUCTION

This Statement on Internal Control is made in accordance with paragraph 15.26(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. This Statement does not include the state of internal control of all associated companies.

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 Company's Board and its various Board Committees with their specific terms of reference in writing approved by the Board; an Executive Management who overseas the day-to-day operations of the Group and is accountable for all its actions; and also various monitoring and review procedures that are embedded in the Group's key processes. The Board is of the view that these control processes have been reviewed periodically 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;
* A rigorous 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 budgets are further reviewed and revised, if necessary, during the middle of the year in order to reflect changes in operating conditions affecting the Group;
* The Executive Directors review the monthly management accounts of all major operative companies in the Group;
* The Executive Directors conduct monthly meetings with Management of all significant business units within the Group;
* The Group outsourced its internal audit function to KPMG Business Advisory Sdn. Bhd., an independent professional firm, since 2005. The scope of work performed by the internal audit function comprises the conduct of 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 two (2) cycles of internal audit on the operations of the Group, covering the property development division and feedmilling division, focusing on the key processes therein.
* The Group set up an Internal Audit & Surveillance Department in January 2010 to conduct surveillance audits

within the Group and to help ensure that the recommendations of KPMG Business Advisory Sdn. Bhd. are carried out as agreed by the management units and to ensure that internal controls are in place. This department is independent of the activities it audits/surveils and it supplements the work carried out by KPMG Business Advisory Sdn Bhd by continuously conducting audits on the various business units within the Group and reporting its findings to the Group Managing Director.

The internal audit reports issued by KPMG Business Advisory Sdn Bhd, 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, were 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 were addressed, or were being addressed by Executive Management.

4. RISK MANAGEMENT

The Group established a formal risk management framework in 2003, last updated in 2009, 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 last revised in February 2009.

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 the Group's corporate objectives. There were no material losses suffered during the financial year as a result of weaknesses in internal control of the Group.

5. REVIEW BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement pursuant to Paragraph 15.23 of the Listing Requirements and in accordance with the 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.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the following Audit Committee Report and its activities for the financial year ended 31 December 2010.

1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:

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

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

Encik Mohd Khasan Bin Ahmad
Senior Independent Non-Executive Director

2. TERMS OF REFERENCE

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

2.1. Composition

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

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

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

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

2.2. Membership

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

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

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

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

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

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

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

2.3. Chairman

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

2.4. Quorum

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

2.5. Meeting

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

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

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

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

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

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

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

2.6. Voting and Proceeding of Meeting

(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 into the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

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

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

2.8. Authority

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

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

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

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

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

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

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

2.9. Functions and Responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.10. Review of the Audit Committee

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

3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2010, which were attended by the Audit Committee members as follows:

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

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

The Chairman of the Audit Committee undertakes a continuing process of engagement with 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 Audit 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 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 auditors and the follow-up on Management's implementation of the recommended actions; and
h. Reviewed the Statement on Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

The trainings attended by Audit Committee members during the financial year are set out in the Corporate Governance Statement on page 28 of this Annual Report.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that the internal audit function is essential to assist in providing the assurance the Audit 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 reliability 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 2010 was RM90,000.

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 33 to 34 of the Annual Report.

FINANCIAL STATEMENTS

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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 15 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
Profit/(loss) for the year, net of tax, attributable to:		
- Owners of the parent	1,221	(45)
- Minority interests	(396)	-
	825	(45)

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 other than the effects arising from the changes in accounting policies due to the adoption of Financial Reporting Standards ("FRS") 139 Financial Instruments: Recognition and Measurement and the early adoption of IC Interpretation 15 : Agreements for the Construction of Real Estate, which resulted in the Group's profit net of tax decreasing by RM774,000 and RM377,000 respectively as disclosed in Notes 2.3(c) and 2.3(e) to the financial statements.

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 9 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 33 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			
Holding company	**1.1.2010**	**Acquired**	**Sold**	**31.12.2010**
Direct interest				
Dato' Fong Kok Yong	85,000	-	-	85,000
Datuk Fong Kiah Yeow	85,000	-	-	85,000
Fong Ngan Teng	85,000	-	-	85,000
Fong Choon Kai	85,000	-	-	85,000
The company				
Direct interest				
Datuk Fong Kiah Yeow	108,000	-	-	108,000
Baharom Bin Abd Wahab	4,500	-	-	4,500
Indirect interest				
Dato' Fong Kok Yong	20,348,705	-	-	20,348,705
Datuk Fong Kiah Yeow	20,348,705	-	-	20,348,705
Fong Ngan Teng	20,348,705	-	-	20,348,705
Fong Choon Kai	20,348,705	-	-	20,348,705

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

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

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 values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:-

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet 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 27 April 2011.

Dato' Fong Kok Yong

Datuk Fong Kiah Yeow

Melaka, Malaysia

STATEMENT BY DIRECTORS

pursuant to section 169(15) of the companies act, 1965

We, Dato' Fong Kok Yong and Datuk Fong Kiah Yeow, being two of the directors of Farm's Best Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 49 to 113 are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 on page 114 of the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2011.

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 49 to 113 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 27 April 2011

Dato' Fong Kok Yong

Before me,

LOH SEO KIM P.J.K.
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Farm's Best Berhad

Report on the financial statements

We have audited the financial statements of Farm's Best Berhad , which comprise the statements of financial position of the Group and of the Company as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 49 to 113.

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 2010 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 2.1 to the financial statements which discloses that the Group's current liabilities exceeded its current assets by approximately RM22.1 million. This condition indicates 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' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

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

Other matters

The supplementary information set out in Note 42 on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young	Lee Ah Too
AF: 0039	2187/09/11(J)
Chartered Accountants	Chartered Accountant

Melaka, Malaysia
Date: 27 April 2011

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Continuing operations					
Revenue	4	331,155	346,340	1,000	1,000
Cost of sales		(282,124)	(311,594)	-	-
Gross profit		49,031	34,746	1,000	1,000
Other items of income					
Interest income		192	73	-	-
Other income	5	2,025	3,083	-	-
Other items of expense					
Administrative expenses		(20,910)	(19,775)	(211)	(735)
Selling and marketing expenses		(11,610)	(11,138)	-	-
Finance costs	6	(14,853)	(12,584)	(816)	(818)
Share of (losses)/profits of associates		(278)	955	-	-
Profit/(loss) before tax	7	3,597	(4,640)	(27)	(553)
Income tax expense	10	(2,772)	(259)	(18)	-
Profit/(loss), net of tax		825	(4,899)	(45)	(553)
Other comprehensive income					
Foreign currency translation		144	7	-	-
Total comprehensive income/(loss) for the year		969	(4,892)	(45)	(553)
Profit/(loss), net of tax, attributable to:					
Owners of the parent		1,221	(6,593)	(45)	(553)
Minority interests		(396)	1,694	-	-
		825	(4,899)	(45)	(553)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		1,365	(6,586)	(45)	(553)
Minority interests		(396)	1,694	-	-
		969	(4,892)	(45)	(553)
Earnings/(loss) per share attributable to owners of the parent (sen):					
Basic	11	2.2	(11.9)		
Diluted	11	2.2	(11.9)		

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000 (restated)	1.1.2009 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	12	125,254	135,039	135,125
Investment property	13	215	224	226
Land use rights	14	178	181	1,171
Investments in associates	16	4,861	5,214	4,184
Quoted investments	17	26	33	33
Goodwill	18	11,538	11,538	11,538
Deferred tax assets	19	2,668	2,661	2,705
Land held for property development	20	5,102	5,102	6,770
		149,842	159,992	161,752
Current assets				
Property development costs	21	30,450	23,587	20,820
Biological assets	22	15,757	14,994	17,170
Inventories	23	15,790	17,529	20,412
Trade and other receivables	24	137,857	138,674	131,168
Tax recoverable		1,947	2,531	2,096
Cash and bank balances	25	15,827	12,994	10,761
Other current assets	26	2,159	7,891	5,911
		219,787	218,200	208,338
Total assets		369,629	378,192	370,090
Equity and liabilities				
Current liabilities				
Bank borrowings	27	174,120	168,982	144,593
Trade and other payables	28	57,597	65,425	75,557
Current tax payable		1,712	508	383
Other current liabilities	29	8,503	2,886	3,244
		241,932	237,801	223,777
Net current liabilities		(22,145)	(19,601)	(15,439)

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010 (cont'd)

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000 (restated)	1.1.2009 RM'000 (restated)
Non-current liabilities				
Bank borrowings	27	36,166	47,312	46,979
Deferred tax liabilities	19	4,257	3,668	3,801
Non-current liabilities		40,423	50,980	50,780
Total liabilities		282,355	288,781	274,557
Net assets		87,274	89,411	95,533
Equity attributable to owners of the parent				
Share capital	30	55,530	55,530	55,530
Share premium	31	62,641	62,641	62,641
Foreign exchange reserve	32	(321)	(465)	(472)
Accumulated losses		(37,175)	(35,455)	(28,862)
		80,675	82,251	88,837
Minority interests		6,599	7,160	6,696
Total equity		87,274	89,411	95,533
Total equity and liabilities		369,629	378,192	370,090

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010 (cont'd)

Company	Note	2010 RM'000	2009 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	474	512
Investment in subsidiaries	15	74,951	74,951
		75,425	75,463
Current assets			
Trade and other receivables	24	16,622	16,979
Tax recoverable		1,571	1,340
		18,193	18,319
Total assets		93,618	93,782
Equity and liabilities			
Current liabilities			
Bank borrowings	27	12,444	12,772
Trade and other payables	28	6,254	3,314
		18,698	16,086
Net current (liabilities)/assets		(505)	2,233
Non-current liabilities			
Bank borrowings	27	-	2,731
Total liabilities		18,698	18,817
Net assets		74,920	74,965
Equity attributable to owners of the parent			
Share capital	30	55,530	55,530
Share premium	31	62,641	62,641
Accumulated losses		(43,251)	(43,206)
Total equity		74,920	74,965
Total equity and liabilities		93,618	93,782

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2010

	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Attributable to minority interests RM'000	Total equity RM'000
		← Non-distributable →						
		← Attributable to owners of the parent →						
Group								
At 1 January 2010								
- Previously reported		55,530	62,641	(465)	(35,065)	82,641	7,160	89,801
- Effect of early adoption of IC Interpretation 15	2.3(e)	-	-	-	(390)	(390)	-	(390)
- Restated		55,530	62,641	(465)	(35,455)	82,251	7,160	89,411
Effect of adopting FRS 139	2.3(c)	-	-	-	(2,941)	(2,941)	-	(2,941)
		55,530	62,641	(465)	(38,396)	79,310	7,160	86,470
Total comprehensive income/(loss)		-	-	144	1,221	1,365	(396)	969
Dividend paid to minority interests		-	-	-	-	-	(165)	(165)
At 31 December 2010		55,530	62,641	(321)	(37,175)	80,675	6,599	87,274
At 1 January 2009								
- Previously reported		55,530	62,641	(472)	(28,582)	89,117	6,696	95,813
- Effect of early adoption of IC Interpretation 15		-	-	-	(280)	(280)	-	(280)
- Restated		55,530	62,641	(472)	(28,862)	88,837	6,696	95,533
Total comprehensive income/(loss)		-	-	7	(6,593)	(6,586)	1,694	(4,892)
Dividend paid to minority interests		-	-	-	-	-	(1,230)	(1,230)
At 31 December 2009		55,530	62,641	(465)	(35,455)	82,251	7,160	89,411

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2010 (cont'd)

Company	Non-distributable Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2010	55,530	62,641	(43,206)	74,965
Total comprehensive loss	-	-	(45)	(45)
At 31 December 2010	55,530	62,641	(43,251)	74,920
At 1 January 2009	55,530	62,641	(42,653)	75,518
Total comprehensive loss	-	-	(553)	(553)
At 31 December 2009	55,530	62,641	(43,206)	74,965

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating activities					
Profit/(loss) before tax		3,597	(4,640)	(27)	(553)
Adjustments for :					
Allowance for impairment loss on trade receivables	24(a)	822	308	-	-
Depreciation and amortisation:					
- Property, plant and equipment	12	9,809	9,740	38	82
- Investment property	13	9	2	-	-
- Land use rights	14	3	3	-	-
Fair value gains:					
- Quoted investments		(5)	-	-	-
- Term loans		(43)	-	-	-
Gain on disposal of property, plant and equipment		(152)	(1,250)	-	-
Reversal of allowance for impairment loss on trade receivables		(71)	(186)	-	-
Share of associate's results		278	(955)	-	-
Unrealized foreign exchange losses		144	135	-	-
Interest expense		14,853	12,584	816	818
Interest income		(192)	(73)	-	-
Total adjustments		25,455	20,308	854	900
Operating cash flows before changes in working capital		29,052	15,668	827	347
Changes in working capital					
Increase in property development costs		(6,863)	(2,777)	-	-
(Increase)/decrease in biological assets		(763)	2,176	-	-
Decrease in inventories		1,739	2,883	-	-
(Increase)/decrease in receivables		(3,485)	(9,581)	357	7,123
(Increase)/decrease in other current assets		5,732	(1,980)	-	-
(Decrease)/increase in payables		(7,828)	(6,503)	2,940	2,647
(Increase)/decrease in other other current liabilities		5,617	(358)	-	-
Total changes in working capital		(5,851)	(16,140)	3,297	9,770

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2010 (cont'd)

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Cash generated from/(used in) operations		23,201	(472)	4,124	10,117
Interest paid		(14,853)	(12,584)	(816)	(818)
Interest received		192	73	-	-
Taxes paid		164	(657)	(249)	(133)
Net cash flows from/(used in) operating activities		8,704	(13,640)	3,059	9,166
Investing activities					
Purchase of:					
- Property, plant and equipment	12(c)	(2,514)	(5,834)	-	-
- Additional investment in subsidiary		-	-	-	(6,990)
- Associate		-	(75)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		3,031	3,604	-	-
- Associate		75	-	-	-
Net cash flows from/(used in) investing activities		592	(2,305)	-	(6,990)
Financing activities					
Dividends paid to minority interests		(165)	(1,230)	-	-
Repayment of term loans		(6,344)	(2,126)	(2,543)	(2,223)
Repayment of finance lease payables		(3,005)	(4,256)	-	-
Increase in short term borrowings		3,628	24,213	-	-
Net cash flows (used in)/from financing activities		(5,886)	16,601	(2,543)	(2,223)
Net increase/(decrease) in cash and cash equivalents		3,410	656	516	(47)
Cash and cash equivalents at 1 January		(7,955)	(8,611)	(9,935)	(9,888)
Cash and cash equivalents at 31 December	25	(4,545)	(7,955)	(9,419)	(9,935)

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

1. Corporate information

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 15 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.

2. Significant accounting policies

2.1 Fundamental accounting concept

As at 31 December 2010, the Group's current liabilities exceeded its current assets by approximately RM22.1 million. This condition indicates 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) Implementation of process re-engineering, energy savings and cost cutting measures.
(ii) Efforts to increase sales of the Group's "further processed products" which carry higher profit margin.

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.

2.2 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.3.

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

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

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as indicated below.

On 1 January 2010, the Group and the Company adopted, where applicable, the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010:

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i-3 Presentation of Financial Statements of Islamic Financial Institutions

In addition, the Group has early adopted IC Interpretation 15 : Agreements for the Construction of Real Estate which is mandatory for annual financial periods beginning on or after 1 January 2012.

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

(a) FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group and the Company's financial statements for the year ended 31 December 2010.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(b) FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital (see Note 38).

The revised FRS 101 was adopted retrospectively by the Group and by the Company.

(c) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Equity instruments**
  Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as fair value through profit or loss and accordingly stated at their fair values amounting to RM21,000. An adjustment of RM12,000 has been made to their previous carrying amounts and recognised as adjustment to the opening balance of accumulated losses as at 1 January 2010.

- **Impairment of trade receivables**
  Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

  As at 1 January 2010, the Group has remeasured the allowance for impairment losses in accordance with FRS 139 and the impairment loss of RM3,551,000 and the related tax effect of RM566,000 are recognised as adjustments to the opening balance of accumulated losses as at 1 January 2010.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(c) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

- **Bank borrowings**

  Prior to 1 January 2010, bank borrowings were recorded at cost in the financial statements. Upon the adoption of FRS 139, these borrowings (other than finance leases) were designated as financial liabilities at fair value through profit or loss. At 1 January 2010, these borrowings were remeasured by discounting future cash flows using the fair value interest rate.

  The difference between the carrying amount of borrowings and the present value of future cash flows amounting to RM56,000 has been adjusted against the opening balance of accumulated losses as at 1 January 2010.

- **Financial guarantee contracts**

  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the guarantees were accounted for and disclosed as contingent liabilities in the financial statements of the Company.

  Upon the adoption of FRS 139, such guarantees are to be recognised initially at fair value. As at the date of first adoption of FRS 139, all unexpired financial guarantees issued were not recognised as no value has been placed on the guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the said guarantees to be minimal. This is because the bank loans and other banking facilities granted under the guarantees are fully collateralised by fixed and floating charges over the properties, plant and equipment and other assets of the subsidiaries.

The following are effects arising from the above changes in accounting policies on the Group's financial statements:

	Increase/(decrease)	
	As at 31.12.2010 RM'000	**As at 1.1.2010 RM'000**
Statement of financial position		
Quoted investments	(7)	(12)
Trade and other receivables	(4,373)	(3,551)
Bank borrowings	(99)	(56)
Deferred tax liabilities	(566)	(566)
Accumulated losses	3,715	2,941

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(c) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

	Increase/ (decrease) 2010 RM'000
Statement of comprehensive income	
Other income	48
Administrative expenses	822
Profit before tax	(774)
Profit net of tax, representing total comprehensive income for the year	(774)

(d) Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group and the Company as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group have applied this change in accounting policy retrospectively and certain comparatives have been restated.

The following are effects arising from the above change in accounting policy on the Group's financial statements:

	Increase/(decrease)	
	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
Statements of financial position		
Property, plant and equipment	2,080	2,083
Land use rights	(2,080)	(2,083)

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(e) IC Interpretation 15 Agreements for the Construction of Real Estate

Prior to 1 January 2010, property development revenue and expenses in the statement of comprehensive income was recognised using the stage of completion method for all long term real estate development projects when the financial outcome of a development activity can be reliably estimated. The early adoption of IC Interpretation 15 has resulted in a change in the accounting policy whereby construction services provided to the buyer's specifications are recorded as revenue only as construction progresses. Otherwise, revenue are recognised only upon completion of the relevant real estate unit.

The change in accounting policy has been accounted for retrospectively and the following are the effects on the Group's financial statements:

	Increase/(decrease) 2010 RM'000	2009 RM'000
Statements of comprehensive income		
Revenue	(6,117)	(1,563)
Cost of sales	(5,626)	1,453
Gross profit	(490)	(110)
Profit before tax	(490)	(110)
Income tax expense	(113)	-
Profit net of tax	(377)	(110)
Total comprehensive income for the year	(377)	(110)
Statements of financial position		
Development property	7,629	4,540
Trade and other receivables	-	(2,044)
Trade and other payables	-	2,886
Accumulated losses	(767)	(390)

2.4 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective date +
• FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
• FRS 3 Business Combinations (Revised)	1 July 2010
• FRS 127 Consolidated and Separate Financial Statements (Revised)	1 July 2010
• Amendments to FRS 2 Share-based Payment	1 July 2010
• Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
• Amendments to FRS 138 Intangible Assets	1 July 2010

2. Significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

Description	Effective date +
• Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
• IC Interpretation 12 Service Concession Arrangements	1 July 2010
• IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
• IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
• Amendments to FRS 132: Classification of Rights Issues	1 March 2010
• Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
• Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
• Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
• Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
• Improvements to FRS issued in 2010	1 January 2011
• IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
• IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
• IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
• TR i - 4: Shariah Compliant Sale Contracts	1 January 2011
• FRS 124 Related Party Disclosures (Revised)	1 January 2012

\+ For accounting periods beginning on or after

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127 as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

<u>Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements</u>

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2. Significant accounting policies (cont'd)

2.5 Subsidiaries and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination 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 business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2.6 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2. Significant accounting policies (cont'd)

2.7 Foreign currency

(a) 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.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the exchange rates ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations 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 reporting date.

2. Significant accounting policies (cont'd)

2.8 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	72 to 100 years
Buildings	50 years
Plant and machinery, factory equipment and electrical installation	5 to 20 years
Other assets	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 Intangible asset - goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

2. Significant accounting policies (cont'd)

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms of 30 years.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Subsidiaries

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

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

2. Significant accounting policies (cont'd)

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group has designated its investment in quoted securities disclosed as non-current assets, which are not held for trading but for long term purposes, as financial assets at fair value through profit or loss.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010 (cont'd)

2. Significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

There were no financial assets categorised as held-to-maturity investments during the reporting period.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

There were no financial assets categorised as available-for-sale investments during the reporting period.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

2. Significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Inventories

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

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Significant accounting policies (cont'd)

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and bank borrowings (other than obligations under finance leases) designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group and the Company's other financial liabilities include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

2.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2. Significant accounting policies (cont'd)

2.19 Financial guarantee contracts (cont'd)

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

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits - defined contribution plans

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

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(e).

2. Significant accounting policies (cont'd)

2.23 Revenue

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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. 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.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Dividend income

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

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. Significant accounting policies (cont'd)

2.24 Income taxes (cont'd)

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2. Significant accounting policies (cont'd)

2.24 Income taxes

(c) Sales tax

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

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

- Receivables and payables that are stated with the amount of sales tax included.

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

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

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

2.27 Contingencies

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

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

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements:

(a) 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 19 to the financial statements.

3.2 Key sources of estimation uncertainty

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

(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 RM11,538,000. Further details are disclosed in Note 18.

(b) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group and the Company's loans and receivable at the reporting date is disclosed in Note 24. If the present value of estimated future cash flows increase/decrease by 5% from management's estimates, the Group's and the Company's allowance for impairment will decrease/increase by RM1,265,000 and RM1,371,000 respectively.

4. Revenue

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Sales of goods net of discounts	326,383	334,182	-	-
Sales of completed houses	4,772	12,158	-	-
Gross dividends received from subsidiaries	-	-	1,000	1,000
	331,155	346,340	1,000	1,000

5. Other income

	Group 2010 RM'000	Group 2009 RM'000
Net gain from disposal of property, plant and equipment	152	1,250
Fair value gain on quoted investments	5	-
Fair value gain on term loans	43	-
Rental income	99	105
Sundry income	1,726	1,728
	2,025	3,083

6. Finance costs

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest expense on:				
- Bank overdrafts	3,327	2,374	823	816
- Bankers' acceptances	2,319	2,536	-	-
- Term loan	4,938	4,345	115	194
- Finance leases	323	450	-	-
- Revolving credits	3,186	2,650	-	-
- Trust receipts	760	6	-	-
- Others	-	223	-	-
Interest recouped from subsidiaries	-	-	(122)	(192)
	14,853	12,584	816	818

7. Profit/(loss) before tax

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- Statutory audits (current year)	172	173	15	15
- Statutory audits (prior year)	-	3	-	15
- Other services rendered by auditors of the Company	41	26	5	26
Bad debts recovered	-	(37)	-	-
Depreciation and amortisation				
- Property, plant and equipment (Note 12)	9,809	9,740	38	82
- Investment property (Note 13)	9	2	-	-
- Land use rights (Note 14)	3	3	-	-
Allowance for impairment losses:				
- Trade receivables	822	308	-	-
Employee benefits expense (Note 8)	28,352	30,325	-	-
Gain on foreign exchange	(786)	(209)	(389)	(164)
Minimum operating lease payments				
- Land and buildings	2,408	2,659	-	-
- Plant and machinery	208	283	-	-
- Motor vehicles	1,322	1,885	-	-
Non-executive directors' emoluments (Note 9)	96	96	96	96
Reversal of impairment losses on trade receivables	(71)	(186)	-	-

8. Employee benefits expense

	Group	
	2010	2009
	RM'000	RM'000
Executive directors (Note 9)		
Directors of the Company	2,450	2,601
Other directors of subsidiaries	542	841
	2,992	3,442

8. Employee benefits expense (cont'd)

	Group 2010 RM'000	Group 2009 RM'000
Other key management personnel		
Wages and salaries	787	1,043
Defined contribution plan	95	126
Other related costs	2	3
	884	1,172
Other staff		
Wages and salaries	21,853	22,861
Defined contribution plan	1,687	1,772
Other related costs	936	1,078
	24,476	25,711
	28,352	30,325

9. Directors' remuneration

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Directors of the Company				
Executive directors				
- Salaries and other emoluments	2,187	2,322	-	-
- Defined contribution plans	263	279	-	-
	2,450	2,601	-	-
Non-executive directors				
- Fees	96	96	96	96
	2,546	2,697	96	96
Other directors of subsidiaries				
Executive directors				
- Salaries and other emoluments	484	751	-	-
- Defined contribution plans	58	90	-	-
	542	841	-	-
	3,088	3,538	96	96

9. Directors' remuneration

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Total				
Executive directors (Note 8)	2,992	3,442	-	-
Non-executive directors (Note 7)	96	96	96	96
	3,088	3,538	96	96

The Group directors' 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 (2009: RM4,500) and RM8,800 (2009: RM8,800) respectively.

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

	Number of directors 2010	Number of directors 2009
Non-executive directors:		
Below RM50,000	3	3
Executive directors:		
RM200,001 to RM250,000	2	2
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM450,000	-	-
RM450,001 to RM500,000	4	4
	9	9

10. Income tax expense

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current tax				
- Malaysian income tax	1,135	525	-	-
- Under/(over)provided in prior years	489	(177)	18	-
	1,624	348	18	-

10. Income tax expense (cont'd)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Deferred tax (Note 19)				
- Origination and reversal during the year	1,692	74	-	-
- Overprovided in prior years	(544)	(163)	-	-
	1,148	(89)	-	-
	2,772	259	18	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable loss for the year.

A reconciliation of tax expense, 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 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit/(loss) before tax	3,597	(4,640)	(27)	(553)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	899	(1,160)	(7)	(138)
Effect of:				
Gain from intragroup disposal of property, plant and equipment not subject to tax	-	(234)	-	-
Expenses not deductible for tax purposes	1,067	1,855	138	138
Other gains not subject to tax	(238)	(722)	-	-
Share of losses/(profit) of associates	69	(239)	-	-
Deferred tax assets recognised on reinvestment allowance	(65)	-	-	-
Refund of tax credits	-	(250)	-	-
Deferred tax assets not recognised				
- Tax losses and capital allowances	1,135	365	7	-
- Other temporary differences	-	1,395	-	-
Tax savings from utilisation of previously unrecognised tax losses and capital allowances	(18)	(278)	(138)	-
Utilisation of reinvestment allowances	(22)	(133)	-	-
(Over)/underprovision in prior years				
- Current tax	489	(177)	18	-
- Deferred tax	(544)	(163)	-	-
Tax expense for the year	2,772	259	18	-

10. Income tax expense (cont'd)

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Unutilised tax losses and capital allowances	89,268	90,867
Unabsorbed reinvestment allowances	15,543	14,366
	104,811	105,233

11. Earnings/(loss) per share

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

	Group	
	2010	**2009**
Profit/(loss) for the year attributable to owners of the parent (RM'000)	1,221	(6,593)
Weighted average ordinary shares in issue during the year financial year ('000)	55,350	55,530
Earnings/(loss) per share (sen)	2.2	(11.9)

12. Property, plant and equipment

Group	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
Cost					
At 1 January 2009:					
- Originally reported	83,173	145,660	20,220	15,023	264,076
- Effect of amendment to FRS 117 Leases	2,621	-	-	-	2,621
- Restated	85,794	145,660	20,220	15,023	266,697
Additions	3,981	5,197	1,542	300	11,020
Reclassification	1,790	-	-	(745)	1,045
Disposals	(2,326)	(1,166)	(921)	(59)	(4,472)
At 31 December 2009	89,239	149,691	20,841	14,519	274,290
Additions	1,049	1,292	193	369	2,903
Reclassification	(749)	509	-	240	-
Disposals	(3,035)	(695)	(289)	(10)	(4,029)
At 31 December 2010	86,504	150,797	20,745	15,118	273,164
Accumulated depreciation					
At 1 January 2009:					
- Originally reported	30,993	74,431	14,954	10,656	131,034
- Effect of amendment to FRS 117 Leases	538	-	-	-	538
- Restated	31,531	74,431	14,954	10,656	131,572
Charge for the year (Note 7)	2,498	5,145	1,533	564	9,740
Reclassification	58	-	-	-	58
Disposals	(833)	(512)	(715)	(59)	(2,119)
At 31 December 2009	33,254	79,064	15,772	11,161	139,251
Charge for the year (Note 7)	2,304	5,857	1,165	483	9,809
Reclassification	(237)	237	-	-	-
Disposals	-	(683)	(459)	(8)	(1,150)
At 31 December 2010	35,321	84,475	16,478	11,636	147,910
Carrying amount					
At 1 January 2009	54,263	71,229	5,266	4,367	135,125
At 31 December 2009	55,985	70,627	5,069	3,358	135,039
At 31 December 2010	51,183	66,322	4,267	3,482	125,254

12. Property, plant and equipment (cont'd)

Analysis of land and buildings

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 January 2009:				
- Originally reported	14,670	1,045	67,458	83,173
- Effect of amendment to FRS 117 Leases	-	2,621	-	2,621
- Restated	14,670	3,666	67,458	85,794
Additions	1	-	3,980	3,981
Reclassification	-	-	1,790	1,790
Disposals	(289)	-	(2,037)	(2,326)
At 31 December 2009	14,382	3,666	71,191	89,239
Additions	911	-	138	1,049
Reclassification	-	-	(749)	(749)
Disposals	(3,035)	-	-	(3,035)
At 31 December 2010	12,258	3,666	70,580	86,504
Accumulated depreciation				
At 1 January 2009:				
- Originally reported	-	79	30,914	30,993
- Effect of amendment to FRS 117 Leases	-	538	-	538
- Restated	-	617	30,914	31,531
Charge for the year	-	-	2,498	2,498
Reclassification	-	-	58	58
Disposals	-	-	(833)	(833)
At 31 December 2009	-	617	32,637	33,254
Charge for the year	-	50	2,254	2,304
Reclassification	-	-	(237)	(237)
At 31 December 2010	-	667	34,654	35,321
Carrying amount				
At 1 January 2009	14,670	3,049	36,544	54,263
At 31 December 2009	14,382	3,049	38,554	55,985
At 31 December 2010	12,258	2,999	35,926	51,183

12. Property, plant and equipment (cont'd)

Company	Buildings RM'000	Motor vehicles RM'000	Office Equipment RM'000	Total RM'000
Cost				
At 1 January 2009	600	434	572	1,606
Disposals	-	-	(33)	(33)
At 31 December 2009/2010	600	434	539	1,573
Accumulated depreciation				
At 1 January 2009	125	403	484	1,012
Charge for the year (Note 7)	12	31	39	82
Disposals	-	-	(33)	(33)
At 31 December 2009	137	434	490	1,061
Charge for the year (Note 7)	12	-	26	38
At 31 December 2010	149	434	516	1,099
Carrying amount				
At 31 December 2009	463	-	49	512
At 31 December 2010	451	-	23	474

(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 RM275,000 (2009: RM1,146,000).

(b) The carrying amount of property, plant and equipment pledged to secure bank borrowings as referred to in Note 27 are as follows:

	Group 2010 RM'000	Group 2009 RM'000
Land and buildings	37,375	37,640
Plant and machinery	54,342	55,097
Other assets	4,639	5,033
	96,356	97,770

Certain assets of the Group at carrying amount of RM73,129,000 (2009: RM99,232,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 27.

12. Property, plant and equipment (cont'd)

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

	Group 2010 RM'000	Group 2009 RM'000
Outright purchase	2,514	5,834
Lease financing	389	5,186
	2,903	11,020

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

	Group 2010 RM'000	Group 2009 RM'000
Motor vehicles	471	3,146
Plant and machinery	2,096	7,363
Other assets	-	1,070
	2,567	11,579

13. Investment property

	Group 2010 RM'000	Group 2009 RM'000
Cost		
At 1 January/ 31 December	240	240
Accumulated depreciation		
At 1 January	16	14
Charge for the year (Note 7)	9	2
At 31 December	25	16
Carrying amount	215	224
Fair value	280	280

14. Land use rights

	Group 2010 RM'000	Group 2009 RM'000
As previously reported	2,264	3,288
Effect of amendment to FRS 117	(2,083)	(2,117)
	181	1,171
Amortisation for the year (Note 7)	(3)	(3)
Reclassification	-	(987)
	178	181

15. Investment in subsidiaries

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares at cost	85,351	85,351
Accumulated impairment losses	(10,400)	(10,400)
	74,951	74,951

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010	Proportion of ownership interest 2009
Held by the Company				
Sinmah Livestocks Sdn. Bhd.	Malaysia	Contract farming and trading of chicken feeds, day old chicks and vaccines	100%	100%
Sinmah Multifeed Sdn. Bhd.	Malaysia	Manufacturing and wholesale of chicken feeds	99.99%	99.99%
Sinmah Egg Products Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Farm's Best Food Industries Sdn. Bhd.	Malaysia	Poultry processing, contract farming, marketing and distribution of poultry products	100%	100%

15. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010	2009
Held by the Company (cont'd)				
Sinmah Breeders Sdn. Bhd.	Malaysia	Poultry breeding and hatchery operations	100%	100%
Sinmah Ventures Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Lynbridge Sdn. Bhd.	Malaysia	Dormant	100%	100%
Sinmah Development Sdn. Bhd.	Malaysia	Property development	100%	100%
Held through subsidiaries				
Farm's Best Eggmart Sdn. Bhd.	Malaysia	Trading of eggs	100%	100%
Chem Ventures Sdn. Bhd.	Malaysia	Trading of chemicals, medication and related equipment	75%	75%
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	Trading of feeds, medication and poultry farming	51%	51%
Joint Farming Sdn. Bhd.	Malaysia	Poultry farming and trading of feedmeal, medication, day-old-chicks and broilers	59%	59%
Suann Food Processors Sdn. Bhd.	Malaysia	Poultry meat processing	100%	100%
SM Broilers Sdn. Bhd.	Malaysia	Marketing and distribution of poultry products	100%	100%
Realtemas Realty Sdn. Bhd.	Malaysia	Property development	100%	100%
Sinmah Builders Sdn. Bhd.	Malaysia	Building and general contracting and provision of management services	100%	100%
Cosmal Enterprise Sdn. Bhd.	Malaysia	Property development	100%	100%
Sinmah Poultry Farm Sdn. Bhd.	Malaysia	Poultry farming and investment holding	100%	100%
Premier Layer Breeders Sdn. Bhd.	Malaysia	Dormant	100%	100%

15. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010	2009
Held through subsidiaries (cont'd)				
Joint Food Proccessing Sdn. Bhd.	Malaysia	Manufacturing of food products and research and development on food technology	60%	60%
Bersatu Segar Sdn. Bhd.	Malaysia	Trading of feeds, medication and poultry farming	100%	100%
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	Dormant	100%	100%
Chix Unlimited Inc.*	Philippines	Hatchery operations	51%	51%
FB Food (Nanjing) Pte. Ltd. *	People's Republic of China	International trade, import and export of poultry products, value-added production and sales and marketing	100%	100%

* Not audited by Ernst & Young

16. Investments in associates

	Group 2010 RM'000	2009 RM'000
Unquoted shares, at cost	5,646	5,721
Share of post acquisition reserves	(785)	(507)
	4,861	5,214

16. Investments in associates (cont'd)

Details of the associates are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010	2009
S.M. Enterprise (Nanjing) Pte. Ltd.	People's Republic of China	Trading of poultry and operating restaurant chains	50%	50%
SMNS Rubber Holdings Sdn. Bhd.	Malaysia	Management of rubber small holdings	50%	50%
Ban Yen Sdn. Bhd.	Malaysia	Poultry breeding and hatchery operations	31%	31%
Suria Wangsamas Sdn. Bhd.	Malaysia	Cultivation of crops	-	50%

17. Quoted investments

	Group 2010 RM'000	Group 2009 RM'000
At fair value through profit and loss	26	-
At cost, less impairment loss	-	33
	26	33
Market value	26	21

18. Goodwill

	Group 2010 RM'000	Group 2009 RM'000
Cost	19,660	19,660
Accumulated impairment loss	(8,122)	(8,122)
Carrying amount	11,538	11,538

18. Goodwill (cont'd)

Impairment tests for goodwill

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

	2010 RM'000	2009 RM'000
Poultry Division		
Syarikat Perniagaan Suann Sdn. Bhd.	452	452
Joint Farming Sdn. Bhd.	782	782
Suann Food Processors 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
	11,538	11,538

Key assumptions used in value-in-use calculations

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

	Poultry division		Housing Development	
	2010	2009	2010	2009
Growth rate	4%	3%	-	-
Gross margins	11%	10%	11%	11%
Discount rate	10%	10%	10%	10%

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

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

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

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

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.

19. Deferred tax (assets)/liabilities

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	1,007	1,096
Effect of FRS 139 adoption	(566)	-
Recognised in income statement (Note10)	1,148	(89)
At 31 December	1,589	1,007
Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,668)	(2,661)
Deferred tax liabilities	4,257	3,668
	1,589	1,007

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

<u>Deferred tax assets</u>

	Unutilised tax losses and capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Others RM'000	Total RM'000
At 1 January 2010	(13,700)	(1,313)	(3,621)	(18,634)
Effect of FRS 139 adoption	-	-	(566)	(566)
Recognised in income statements	2,616	(301)	(129)	2,186
At 31 December 2010	(11,084)	(1,614)	(4,316)	(17,014)
At 1 January 2009	(13,386)	(2,554)	(3,859)	(19,799)
Recognised in income statements	(314)	1,241	238	1,165
At 31 December 2009	(13,700)	(1,313)	(3,621)	(18,634)

19. Deferred tax (assets)/liabilities (cont'd)

Deferred tax liabilities

	Property, plant and equipment RM'000
At 1 January 2010	19,641
Recognised in income statements	(1,038)
At 31 December 2010	18,603
At 1 January 2009	20,895
Recognised in income statements	(1,254)
At 31 December 2009	19,641

The following items were not recognised for deferred tax assets:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unutilised tax losses and capital allowances	44,932	39,137	-	-
Unabsorbed reinvestment allowances	9,087	10,233	-	-
	54,019	49,370	-	-

20. Land held for property development

Land held for development comprises leasehold land which is being pledged to secure bank borrowings as disclosed in Note 27.

21. Property development costs

Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
At 1 January 2010:				
- Originally reported	718	3,560	14,769	19,047
- Effect of adopting IC Interpretation 15	239	535	3,766	4,540
- Restated	957	4,095	18,535	23,587
Cost incurred during the year	-	-	10,982	10,982
Reversal of completed projects	(376)	(96)	(3,647)	(4,119)
At 31 December 2010	581	3,999	25,870	30,450
At 1 January 2009:				
- Originally reported	841	2,953	13,945	17,739
- Effect of adopting IC Interpretation 15	116	263	2,702	3,081
- Restated	957	3,216	16,647	20,820
Transfer from land held for property development	-	1,669	-	1,669
Cost incurred during the year	-	-	11,554	11,554
Reversal of completed projects	-	(790)	(9,666)	(10,456)
At 31 December 2009	957	4,095	18,535	23,587

Development costs incurred during the year include interest of RM317,000 (2009: RM519,000). Capitalisation of interest is based on the actual interest rate of bridging loans obtained for the specific purpose of development amounting to 7.75% (2009: 7.75%) per annum.

22. Biological assets

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Hatching eggs	1,855	1,744
Day old chicks	1,146	465
Pullets	1,165	1,521
At cost less amortisation:		
Layers	4,490	3,832
Breeders	7,101	7,432
	15,757	14,994

23. Inventories

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Raw materials, medical supplies and chemicals	3,838	4,647
Processed chickens	5,133	5,497
Trading eggs	49	166
Consumable supplies	3,167	3,237
Completed houses and shops	2,297	3,056
Ingredient stocks and others	1,306	926
	15,790	17,529

24. Trade and other receivables

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables				
Related companies	-	2,758	-	-
Third parties	143,707	142,621	-	-
Retention sum	2,238	624	-	-
	145,945	146,003	-	-
Allowance for impairment loss	(24,731)	(20,828)	-	-
Trade receivables, net	121,214	125,175	-	-
Other receivables				
Holding company	508	508	508	508
Other related companies	-	8	43,501	43,858
Third parties	8,197	5,323	24	24
Deposits	8,522	8,845	8	8
	17,227	14,684	44,041	44,398
Allowance for impairment loss	(584)	(1,185)	(27,419)	(27,419)
Other receivables, net	16,643	13,499	16,622	16,979
Total trade and other receivables	137,857	138,674	16,622	16,979
Total trade and other receivables	137,857	138,674	16,622	16,979
Add: Cash and bank balances (Note 25)	15,827	12,994	-	-
Total loans and receivables	153,684	151,668	16,622	16,979

24. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 (2009: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group 2010 RM'000	Group 2009 RM'000
Neither past due nor impaired	80,673	63,188
1 to 30 days past due not impaired	7,050	8,369
31 to 60 days past due not impaired	20,246	26,543
More than 61 days past due not impaired	6,804	20,088
	34,100	55,000
Impaired	31,172	27,815
	145,945	146,003

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

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

Receivables that are past due but not impaired

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

Receivables that are impaired

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

	Group 2010 RM'000	Group 2009 RM'000
Trade receivables - nominal amounts	24,731	20,828
Less: Allowance for impairment	(24,731)	(20,828)
	-	-

24. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

Movement in allowance accounts:

	Group	
	2010	2009
	RM'000	RM'000
At 1 January	20,828	20,713
Effect of adopting FRS 139 [Note 2.3(c)]	3,551	-
Charge for the year (Note 7)	822	308
Reversal of impairment losses	(71)	(186)
Written off against trade debtors	(399)	(7)
At 31 December	24,731	20,828

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

25. Cash and bank balances

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	3,055	5,486	-	-
Deposits with licensed banks	12,772	7,508	-	-
	15,827	12,994	-	-
Less: Bank overdrafts (Note 27)	(20,372)	(20,949)	(9,419)	(9,935)
Cash and cash equivalents	(4,545)	(7,955)	(9,419)	(9,935)

Included in cash at banks of the Group is an amount of RM247,000 (2009: RM320,000) 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 27.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group was 3% (2009: 3%) per annum.

26. Other current assets

	Group 2010 RM'000	Group 2009 RM'000
Advances to transport provider	989	4,866
Amount due from customers on contracts	-	969
Prepayments	1,170	2,056
	2,159	7,891

The above amounts are unsecured, interest-free and repayable on demand.

27. Bank borrowings

	Maturity	Group 2010 RM'000	Group 2009 RM'000
Current			
Secured:			
Bank overdrafts (Note 25)	On demand	20,372	20,949
Bankers' acceptances	2011	45,940	52,546
Revolving credits	2011	87,482	77,347
Trust receipts	2011	8,168	8,069
Term loans	2011	10,511	7,384
Obligations under finance leases (Note 34)	2011	1,647	2,687
		174,120	168,982
Non-current			
Secured:			
Term loans	2012 to 2017	34,043	43,613
Obligations under finance leases (Note 34)	2012 to 2015	2,123	3,699
		36,166	47,312
Total borrowings		210,286	216,294
Comprising financial liabilities:			
- At fair value through profit or loss		206,516	209,908
- At amortised cost (Note 28)		3,770	6,386
		210,286	216,294

27. Bank borrowings (cont'd)

	Maturity	Company 2010 RM'000	Company 2009 RM'000
Current			
Secured:			
Bank overdrafts (Note 25)	On demand	9,419	9,935
Term loans	2012	3,025	2,837
		12,444	12,772
Non-current			
Secured:			
Term loans		-	2,731
Total borrowings, comprising financial liabilities at fair value through profit or loss		12,444	15,503

The remaining maturities of the borrowings as at 31 December 2010 are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
On demand or within one year	174,120	168,982	12,444	12,772
Later than one year and not later than 2 years	7,203	12,344	-	2,731
Later than 2 years and not later than 5 years	17,847	20,668	-	-
Later than 5 years	11,116	14,300	-	-
	210,286	216,294	12,444	15,503

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at BLR + 3.0% per annum (on an average of 8.45% (2009: 7.66%) per annum.

Bankers' acceptance and trust receipts

These are used to finance purchases of the Company denominated in RM and are short term in nature. The weighted average effective interest rate is 2.98% and 9.25% (2009: 2.90% and 8.50%) per annum respectively.

Term loans

The term loans was obtained for the purposes of construction of layer farms and broiler house, purchases of property and shoplots, and for working capital. The loans are repayable over a period of 7 years. The weighted average effective interest rate is 6.98% (2009: 7.30%) per annum.

27. Bank borrowings (cont'd)

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases is 3.73% (2009: 5.24%) per annum.

The borrowings of the Group are secured by way of fixed and floating charges over certain assets and also negative pledges over certain assets as disclosed in Notes 12 and 25. The borrowings of the subsidiaries are additionally guaranteed given by the Company.

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

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

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

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

28. Trade and other payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables				
Related companies	-	26	-	-
Third parties	26,446	39,412	-	-
Retention sum	3,454	1,081	-	-
	29,900	40,519	-	-
Other payables				
Related companies	1,300	2,587	5,955	2,991
Third party	19,889	16,653	-	75
Accrued operating expenses	6,508	5,666	299	248
	27,697	24,906	6,254	3,314
Total trade and other payables	57,597	65,425	6,254	3,314
Total trade and other payables	57,597	65,425	6,254	3,314
Add: Obligations under finance leases (Note 27)	3,770	6,386	-	-
Total financial liabilities carried at amortised cost	61,367	71,811	6,254	3,314

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010 (cont'd)

28. Trade and other payables (cont'd)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2009: 30 to 90) days.

(b) Other payables

Other payables are non-interest bearing and normally settled on an average of 6 (2009 : 6) months.

(c) Related companies

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

29. Other current liabilities

These represent progress billings in respect of the Group's development projects currently in progress.

30. Share capital

	Group and Company		Group and Company	
	2010	2009	2010	2009
	'000	'000	RM'000	RM'000
Authorised shares of RM1 each				
At beginning and end of the year	500,000	500,000	500,000	500,000
Issued and fully paid up ordinary shares of RM1 each				
At beginning and end of the year	55,530	55,530	55,530	55,530

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. Related party disclosures

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	
	2010 RM'000	2009 RM'000
With other related parties		
Rental paid to a director of a subsidiary	32	32
Companies connected to certain directors:		
- Transport charges	16	16
- Purchases	1	66

	Company	
	2010 RM'000	2009 RM'000
With subsidiaries		
Advances from subsidiaries	3,740	10,087
Advances to subsidiaries	400	76
Cash repayments by subsidiaries	-	204
Repayment through contra within subsidiaries	1,316	7,668
Payment on behalf of subsidiaries	300	653
Payments on behalf by subsidiaries	113	133
Gross dividend from subsidiaries	1,000	1,000
Interest recouped from subsidiaries	122	192
Allocation of centralised service costs by subsidiaries	267	272

Compensation of key management personnel

These are disclosed in Note 8.

34. Commitments

(a) Finance lease commitments

The Company has finance leases for certain items of motor vehicles, office equipment and plant and machinery (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than one year	1,865	3,081
Later than one year and not later than 2 years	1,189	2,013
Later than 2 years and not later than 5 years	1,121	2,118
	4,175	7,212
Less: Amounts representing future finance charges	(405)	(826)
	3,770	6,386
Present value of finance lease payables:		
Not later than one year	1,647	2,687
Later than one year and not later than 2 years	1,069	1,783
Later than 2 years and not later than 5 years	1,054	1,916
	3,770	6,386
Less: Amount due within 12 months (Note 27)	(1,647)	(2,687)
Amount due after 12 months (Note 27)	2,123	3,699

34. Commitments (cont'd)

(b) Operating lease commitments

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Minimum lease payments under non-cancellable operating leases:				
Within the 1st year	1,875	1,875	-	-
Within the 2nd year	1,875	1,875	-	-
Within the 3rd to 5th year	3,134	5,009	-	-
	6,884	8,759	-	-

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.

35. Contingent liabilities

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	-	-	-	201,700
Legal claim by a supplier	-	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 court had decided, on 18 June 2010, that the supplier's claim was dismissed with costs.

36. Fair value of financial instruments

a) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	24
Obligations under finance leases	27
Trade and other payables	28

The carrying amounts of the trade and other receivables and payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of obligations under finance leases are reasonable approximation of their fair values as the interest charge on these borrowings are, or close to market interest rates near or at reporting date.

37. Financial risk management objectives and policies

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

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

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

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

(a) Credit risk

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

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

37. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk:

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

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM182,072,000 (2009: RM201,700,000) relating to a corporate guarantee provided by the Company to financial institutions for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 24(a).

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial asset except for the Company's exposure to amounts due from its holding company and subsidiaries which account for 98% (2009: 98%) of the gross receivables of the Company.

Financial assets that are neither pass due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24. Deposits with licensed banks and quoted investment are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either pass due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 24.

(b) Liquidity risk

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

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.

37. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total as at 31.12.2010 RM'000
Trade and other payables	57,597	-	-	57,597
Bank borrowings	174,338	25,237	10,717	210,292
Total undiscounted financial liabilities	231,935	25,237	10,717	267,889
Company				
Trade and other payables, excluding financial guarantees *	6,254	-	-	6,254
Bank borrowings	12,444	-	-	12,444
Total undiscounted financial liabilities	18,698	-	-	18,698

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

(c) Interest rate risk

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

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM781,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

37. Financial risk management objectives and policies (cont'd)

(d) Foreign exchange risk

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

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

The net unhedged financial assets and financial liabilities for the Group companies as at 31 December 2010 that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies		
	USD RM'000	SGD RM'000	Total RM'000
Trade receivables	-	11,088	11,088
Trade payables	(2,043)	-	(2,043)
Borrowings	(3,026)	-	(3,026)
	(5,069)	11,088	6,019

Sensitivity analysis for foreign currency risk

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

		Increase/ (decrease) RM'000
USD	- strengthened by 5%	(252)
	- weakened by 5%	252
SGD	- strengthened by 5%	532
	- weakened by 5%	(532)

38. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Borrowings	210,286	216,294	12,444	15,503
Trade and other payables	57,597	65,425	6,254	3,314
Less: - Cash and bank balances	(15,827)	(12,994)	-	-
Net debt	252,056	268,725	18,698	18,817
Equity attributable to equity holder of the Company	80,675	82,251	74,920	74,965
Total capital	80,675	82,251	74,920	74,965
Capital and net debt	332,731	350,976	93,618	93,782
Gearing ratio	76%	77%	20%	20%

39. Segment information

The Group activities are principally conducted in Malaysia and are 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.

	Poultry RM'000	Housing development RM'000	Others RM'000	Total RM'000
2010				
Revenue				
External sales	326,383	4,772	-	331,155
Results				
Segment results	17,565	(492)	1,463	18,536
Finance income	192	-	-	192
Finance costs	(13,687)	(105)	(1,061)	(14,853)
Share of results of associates	(65)	-	(213)	(278)
(Loss)/profit before tax	4,005	(597)	189	3,597
Tax income/(expense)	(2,628)	9	(153)	(2,772)
Loss for the year	1,377	(588)	36	825
Assets				
Investment in associates	3,867	-	994	4,861
Segment assets	307,668	45,929	11,171	364,768
Total assets	311,535	45,929	12,165	369,629
Liabilities				
Segment liabilities	240,538	22,942	18,875	282,355
Total liabilities	240,538	22,942	18,875	282,355
Other information				
Capital expenditure	2,899	4	-	2,903
Depreciation and amortisation	9,661	77	83	9,821

39. Segment information (cont'd)

	Poultry RM'000	Housing development RM'000	Others RM'000	Total RM'000
2009				
Revenue				
External sales	334,182	12,158	-	346,340
Results				
Segment results	6,375	1,276	(735)	6,916
Finance income	65	8	-	73
Finance costs	(11,347)	(419)	(818)	(12,584)
Share of results of associates	1,313	-	(358)	955
(Loss)/profit before tax	(3,594)	865	(1,911)	(4,640)
Tax income/(expense)	(235)	(24)	-	(259)
Loss for the year	(3,829)	841	(1,911)	(4,899)
Assets				
Investment in associates	3,932	-	1,282	5,214
Segment assets	329,424	41,165	2,389	372,978
Total assets	333,356	41,165	3,671	378,192
Liabilities				
Segment liabilities	258,985	13,971	15,825	288,781
Total liabilities	258,985	13,971	15,825	288,781
Other information				
Capital expenditure	10,997	23	-	11,020
Depreciation and amortisation	9,533	131	81	9,745

40. Comparative figures

Certain comparative figures of the Group for the previous financial year have been restated to conform with the current year's presentation:

	Originally reported RM'000	Adjustment RM'000	Restated RM'000
Statement of comprehensive income			
Revenue	347,903	(1,563)	346,340
Cost of sales	313,047	(1,453)	311,594
Gross profit	34,856	(110)	34,746
Other income	1,833	1,250	3,083
Administrative expenses	18,525	1,250	19,775
Loss before tax	4,530	110	4,640
Loss, net of tax	4,789	110	4,899
Statement of financial position			
Property, plant and equipment	132,956	2,083	135,039
Land use rights	2,264	(2,083)	181
Property development costs	19,047	4,530	23,577
Trade and other receivables	150,636	(11,952)	138,684
Other current assets	-	7,891	7,891
Trade and other payables	67,452	(2,027)	65,425
Other current liabilities	-	2,886	2,886
Accumulated losses	35,065	390	35,455

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 27 April 2011.

42. Supplementary information – Breakdown of realised and unrealised profits and losses

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

	Group RM'000	Company RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	104,053	43,251
- Unrealised	(510)	-
	103,543	43,251
Total share of accumulated losses of associates		
- Realised	785	-
	104,328	43,251
Less: Consolidation adjustments	(67,153)	-
Accumulated losses as per financial statements	37,175	43,251

STATISTICS ON SHAREHOLDINGS

as at 5 May 2011

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	119	5.08	1,589	0.00
100 to 1,000	555	23.70	388,983	0.70
1,001 to 10,000	1,250	53.37	5,602,936	10.09
10,001 to 100,000	375	16.01	11,925,150	21.48
100,001 to less than 5% of issued shares	41	1.75	9,725,705	17.51
5% of issued shares and above	2	0.09	27,885,900	50.22
Total	**2,342**	**100.00**	**55,530,263**	**100.00**

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for F.C.H.Holdings Sdn Bhd	20,000,000	36.02
2	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG London (PB Priam)	7,885,900	14.20
3	Koon Woh	834,700	1.50
4	Koon Woh	784,100	1.41
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Kwee Lian	500,000	0.90
6	Onn Kok Puay (Weng Guopei)	483,700	0.87
7	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Teck Lee	400,000	0.72
8	Low Ah Lin	350,000	0.63
9	MERCSEC Nominees (Tempatan) Sdn Bhd F.C.H. Holdings Sdn Bhd	348,705	0.63
10	Gan Thian Teck	302,900	0.55

STATISTICS ON SHAREHOLDINGS

as at 5 May 2011 (cont'd)

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
11	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong (E-TMR)	300,000	0.54
12	Lim Pang Hoo	291,300	0.52
13	MERCSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bernard Ong Chin Yong	259,000	0.47
14	Ng Chee Loong	254,700	0.46
15	Teo Kim Fai	250,000	0.45
16	Chia Chin Fooi	241,000	0.43
17	Chia Siew Fung	216,500	0.39
18	Toh Cheng Hai	205,600	0.37
19	MAYBAN Nominees (Tempatan) Sdn Bhd Tan Mooi Kim	205,500	0.37
20	Khoo Ting Hock	200,000	0.36
21	Tan Cha Koo	197,100	0.35
22	Chan Kee Chew	191,200	0.34
23	HSBC Nominees (Tempatan) Sdn Bhd Ng Song Hey (HBMB301-67)	188,000	0.34
24	Neo Heap (Hiap) Eng	186,000	0.33
25	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	183,800	0.33
26	Lee Tiow Ghee	170,000	0.31
27	Goh Nai Ten @ Koh Nai Tin	155,000	0.28
28	Ong Chin Hua	155,000	0.28
29	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rajinder Kaur A/P Piara Singh (MI1280-003)	149,000	0.27
30	Onn Ping Lan	139,300	0.25
	TOTAL	**36,028,005**	**64.87**

STATISTICS ON SHAREHOLDINGS

as at 5 May 2011 (cont'd)

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	SHAREHOLDINGS			
Name	**Direct**	**%**	**Indirect**	**%**
Datuk Hj. Zainal Bin Hj. Shamsudin	-	-	-	-
Dato' Fong Kok Yong	-	-	20,348,705*	36.64
Datuk Fong Kiah Yeow	108,000	0.19	20,348,705*	36.64
Fong Ngan Teng	-	-	20,348,705*	36.64
Fong Choon Kai	-	-	20,348,705*	36.64
Ng Cheu Kuan	-	-	-	-
Datuk Ng Peng Hay @ Ng Peng Hong	-	-	-	-
Tuan Haji Baharom Bin Abd. Wahab	4,500	0.01	-	-
Mohd Khasan Bin Ahmad	-	-	-	-

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

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	SHAREHOLDINGS			
Name	**Direct**	**%**	**Indirect**	**%**
F.C.H. Holdings Sdn Bhd	20,348,705	36.64	-	-
Dato' Fong Kok Yong	-	-	20,348,705*	36.64
Datuk Fong Kiah Yeow	108,000	0.19	20,348,705*	36.64
Fong Ngan Teng	-	-	20,348,705*	36.64
Fong Choon Kai	-	-	20,348,705*	36.64
Priam Holdings Limited	7,885,900	14.20	-	-

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

LIST OF PROPERTIES

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
THE COMPANY AND ITS SUBSIDIARIES				
Lot 5541 Mukim of Rantau District of Seremban, Negeri Sembilan	Broiler Farm	Freehold	390,483	1994
Lot No. 799 & 800 Mukim of Sungai Siput District of Alor Gajah, Melaka	Breeder Farm	Freehold	2,834,859	1987
Lot No. 2893 - 2899 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	3,824,469	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	2,036,971	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah, Melaka	Breeder Farm	Freehold	1,178,912	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	1,435,754	1996
Lot 458 & 459 C.T. No. 8770 & 8771 Tebong, Tampin, Negeri Sembilan	Breeder Farm	Freehold	1,162,998	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat, Johor	Broiler Farm	Freehold	1,882,049	1995
MLO 8663 H.S.(D) 2631 Mukim Sembrong, Johor	Broiler Farm	Freehold	611,526	1995
Lot 647 & 658 Mukim Tanjong Minyak, Melaka	Vacant Land	Freehold	849,271	1996

LIST OF PROPERTIES
(cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
P.T. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya, Melaka	3 1/2 Storey Intermediate Shoplot	Leasehold (Expiring in 2075)	387,062	2003
Lot 1599, C.T. 6270 Port Dickson, Negeri Sembilan	Broiler Farm	Freehold	1,812,829	1995
Taman Mewah Alor Gajah, Melaka	6 Units of 2 bedroom Apartment	Leasehold (Expiring in 2091)	127,905	1995
PTD 64217 H.S.(D) 208128 Mukim Tebrau, Johor	1 1/2 Storey Terrace Factory	Freehold	307,330	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	1,247,483	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	4,047,348	1994
Lot 3, 4 & 5 Masjid Tanah Ind. Estate Masjid Tanah, Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2095)	10,476,565	1995
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat, Johor	Broiler Farm	Freehold	474,090	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII Batu Pahat, Johor	Broiler Farm	Freehold	673,946	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	317,356	1997

LIST OF PROPERTIES
(cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial Land	Freehold	466,140	2006
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial Land	Freehold	688,710	2005
Block D2-01-01, Type B1 Genting View Resort Phase 4, Bentong, Pahang	1 unit of 2 bedrooms Apartment	Freehold	159,292	1998
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of 3 bedrooms Apartment	Freehold	291,370	1998
PT No.6901, HS(D) No. 34536 Mukim Bukit Katil Daerah Melaka Tengah Negeri Melaka	Double Storey Shop / Office	Freehold	302,667	2000
H.S.(D) 43175, Lot No.PT2113, Mukim of Krubong, District of Melaka Tengah, State of Melaka.	Held for Development	Freehold	5,101,699	2006
PTD 2163, H.S.(D) 5124 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	1,003,866	1997
PTD 2164, H.S.(D) 5125 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	1,299,759	1997
PTD 2165, H.S.(D) 5126 Mukim Grisek District of Muar, Johor	Agricultural Land	Freehold	169,094	1997
PTD 2166, H.S.(D) 5127 Mukim Grisek District of Muar, Johor	Agricultural Land	Freehold	259,423	1997
PTD 2167, H.S.(D) 5128 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	789,732	1997

LIST OF PROPERTIES
(cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
PTD 2168, H.S. (D) 5129 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	1,005,835	1997
PTD 2169, H.S. (D) 5130 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	662,005	1997
PTD 2170, H.S. (D) 5131 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	752,674	1997
PTD 2171, H.S. (D) 5132 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	495,599	1997
PTD 6321 Grant 4778 Mukim Grisek District of Muar, Johor	Layer Farm	Freehold	238,717	1997
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)	101,324	2000
H.S. (D) 436859, Lot No. PTD16818 Mukim of Sedenak, District of Johor Bahru State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	490,831	2008
H.S.(M) 2229, 2289 & 2290, Lot Nos. MLO 1367, 7119 & 7120 Kuala Kabong Mukim Sedenak, Johor	Broiler Farm	Leasehold (99 years)	519,717	2009

LIST OF PROPERTIES
(cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Lot 420, GM59, Mukim Pengkalan Raja Pontian, Johor	Broiler Farm	Freehold	492,954	1996
H.S.(D) 68575, Mukim Pulai Johor Bahru	Double Storey House	Leasehold (99 years)	214,835	1996
Grant 60828, Lot 8602, Mukim Jeram Batu 7, 7A & 7B, Jalan Mewah 1 Taman Mewah 81500 Pekan Nenas, Johor	Three Storey Shophouse	Freehold	405,314	2004
Lot 1310, GN47071 Minyak Beku 6 Batu Pahat, Johor	Poultry Processing Plant & Coldrooms / Office Block	Freehold	2,553,210	1991
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat, Johor	Broiler Farm	Freehold	166,456	1995
Lot 3233, EMR 5066 Minyak Beku 6 Batu Pahat, Johor	Broiler Farm	Freehold	601,939	1997
Lot 1730, CT 2851 Bandar Penggaram District of Batu Pahat, Johor	Double Storey Terrace Shophouse	Freehold	291,093	1998
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah, Melaka	Double Storey Shophouse	Freehold	163,598	2006

SEVENTEETH ANNUAL GENERAL MEETING
FORM OF PROXY

No. of shares held	

FARM'S BEST BERHAD
(301653-V)

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 Seventeenth Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Tuesday, 28 June 2011 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 Mr Ng Cheu Kuan as Director.		
Ordinary Resolution 4	To re-elect Encik Mohd Khasan Bin Ahmad 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.		

Dated this ______ day of ________________ , 2011.

____
(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 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

fold here

Stamp

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

fold here

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
Tel : 06-632 5708
Fax : 06-632 5706

Butterworth
No. 8, (Plot 48)
Taman Industri Beringin @
Juru Industrial Park
Juru Mukim 13
Seberang Prai Tengah
14100 Pulau Pinang
Tel : 04-507 6449
Fax : 04-507 7068

Temerloh
53, Jalan Ahmad Shah
28000 Temerloh
Pahang
Tel : 09-296 8223
Fax : 09-296 6223

Kuantan
B-32, Jalan Air Putih
25300 Kuantan
Pahang
Tel : 09-567 0223
Fax : 09-567 0221

Johor Bahru
9, Jalan Bayu 2/5
Taman Perindustrian Tampoi Jaya
81200 Johor Bahru, Johor
Tel : 07-235 0310
Fax : 07-235 0306

MARKETING OFFICE

Rawang
28, Jalan BJ 6
Taman Perindustrian Belmas Johan
48000 Rawang, Selangor
Tel : 03-6092 6077
Fax : 03-6092 3908

REPRESENTATIVE OFFICES

Kota Bharu
No. 11, Jalan Hospital
Kedai MPKB, Barek 12
15200 Kota Bharu
Kelantan

Melaka
No. 1-12, Block Dahlia 2
Jalan Zahir 6
Taman Malim Jaya
75250 Melaka

Ipoh
80, Jalan Leong Boon Siew
30000 Ipoh, Perak

OVERSEAS ADDRESSES

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

FB Food (Nanjing) Pte Ltd
SM Enterprise (Nanjing) Pte Ltd
Room 5212, 25th Floor
Jiangsu International Mansion
50 Zhong Hua Lu
Nanjing, Jiangsu 210001 China
Tel : 0086 25-8468 0456
Fax : 0086 25-8468 0326

FARM'S BEST BERHAD (301653-V)
Alor Gajah Industrial Estate
78000 Alor Gajah, Melaka
Tel: 06-556 1293
Fax: 06-556 2445

www.farmsbest.com.my