FARM'S BEST BERHAD
(301653-V)

Dynamic Growth

annual report 2016

Rationale

Dynamic Growth

The cover design captures the optimism that is motivating our entire company as we advance into a new era of growth. Having embraced property development to be our future core business, we will be actively capitalizing on opportunities in this sector.

Our confidence is mirrored by the squares on the cover, symbolizing the building blocks of our group's future direction. In addition, the cover features images of our properties that define our high level of excellence.

Contents

Notice of

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Monday, 29 May 2017 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 2016 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Notes A

2. To approve the payment of Directors' fees of RM120,000 for the financial year ended 31 December 2016. **Ordinary Resolution 1**

3. To approve the payment of Directors' Allowances up to an amount of RM16,800 from January 2017 until the next Annual General Meeting of the Company.
   Ordinary Resolution 2
   (Explanatory Notes B)

4. To re-elect the following Directors who retire in accordance with Article 106 of the Company's Constitution, and being eligible, offer themselves for re-election:-

   (a) Mr Fong Choon Kai **Ordinary Resolution 3**

   (b) Mr Fong Ngan Teng **Ordinary Resolution 4**

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

AS SPECIAL BUSINESS:-

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

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

   (a) En Mohd Khasan Bin Ahmad **Ordinary Resolution 6**
   (Explanatory Notes C)

   (b) Datuk Hj Zainal bin Hj Shamsudin **Ordinary Resolution 7**
   (Explanatory Notes C)

Annual General Meeting

7. **Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016**

   "**THAT** pursuant to Section 75 of the Companies Act, 2016, and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, from time to time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares on Bursa Malaysia Securities Berhad."

   Ordinary Resolution 8
   (Explanatory Notes D)

8. **Proposed Change of Name of the Company from "Farm's Best Berhad" to "Sinmah Capital Berhad"**

   "**THAT** the name of the Company be changed from "Farm's Best Berhad" to "Sinmah Capital Berhad" effective from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company **AND THAT** the Directors and/or the Secretary be and are hereby authorised to carry out all necessary steps and formalities to effect the Proposed Change of Name."

   Ordinary Resolution 9
   (Explanatory Notes E)

BY ORDER OF THE BOARD

NOLAN JOHN FELIX (MIA 18938)
SHAHNIZA ANOM BINTI ELIAS (LS 0006472)
Company Secretaries

Melaka
Date: 28 April 2017

Notice of Annual General Meeting
(cont'd)

Notes:-

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 294 of the Companies Act, 2016 shall not apply to the Company.

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

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

(iv) The instrument appointing a proxy shall be deposited at the office of the Company's Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time set for the Meeting or any adjournment thereof.

(v) For the purpose of determining a member who shall be entitled to attend and vote in the forthcoming Twenty-Third Annual General Meeting, the Company shall be requesting the Record of Depositors in accordance with Article 71(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2017. Only a depositor whose name appears on the Record of Depositors as at 22 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

(vi) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

Explanatory Notes A:

The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the members and hence is not put for voting.

Explanatory Notes B:

Ordinary Resolutions No. 2
To approve the payment of Directors' Allowances

The Directors' Allowances are only consist of Board Meeting Allowance of RM600 per meeting.

Note: The meeting allowances will be paid to the Directors after the conclusion of each meeting. If approved by shareholders, the total payment of Directors' Allowances are estimated at RM16,800 based on the estimated number of 7 meetings for the period from Janaury 2017 to June 2018.

Explanatory Notes C:

Ordinary Resolutions No. 6 and 7
To re-appoint Independent Non-Executive Directors

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

Notice of Annual General Meeting
(cont'd)

Explanatory Notes D:

Ordinary Resolution No. 8
Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act, 2016

The Ordinary Resolution 8 if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The purpose of this general mandate is for possible fund raising exercise but not limited to further placing of shares for purpose of funding investment(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting. This authorization will expire at the conclusion of the next Annual General Meeting of the Company.

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

Explanatory Notes E:

Ordinary Resolution No. 9
Proposed Change of Name of the Company from "Farm's Best Berhad" to "Sinmah Capital Berhad"

The Special Resolution relates to the proposed change of Company's name from "Farm's Best Berhad" to "Sinmah Capital Berhad" and the details on the proposed change of name is set out in the Circular to Shareholders dated 28 April 2017 which is despatched together with the Company's 2016 Annual Report.

Corporate Structure

FARM'S BEST BERHAD
(301653-V)

- 100% Sinmah Livestocks Sdn Bhd
  - 100% Bersatu Segar Sdn Bhd
  - 100% Dee Huat Farming Trading Sdn Bhd
  - 100% Chem Ventures Sdn Bhd
  - 51% Syarikat Perniagaan Suann Sdn Bhd
    - 100% Suann Food Processors Sdn Bhd
  - 58.91% Joint Farming Sdn Bhd
    - 60% Joint Food Proccessing Sdn Bhd
  - 100% SM Broilers Sdn Bhd
- 99.99% Sinmah Multifeed Sdn Bhd
- 100% Sinmah Breeders Sdn Bhd
- 100% Sinmah Land Services Sdn Bhd *(f.k.a. Sinmah Egg Products Sdn Bhd)*
  - 100% Sinmah Project Management Sdn Bhd *(f.k.a. Sinmah Poultry Farm Sdn Bhd)*
- 100% Sinmah Development Sdn Bhd
  - 100% Realtemas Realty Sdn Bhd
  - 100% Sinmah Builders Sdn Bhd
  - 100% Cosmal Enterprise Sdn Bhd

Optimizing Potential

Our properties are designed to be long-term investments that will yield impressive returns. Great care is taken to ensure that they will appeal to property purchasers now and in the future.

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

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

Munawar Kabir Mohd Bin Zainal Abidin
Independent Non-Executive Director

Datuk Ng Peng Hay @ Ng Peng Hong
Redesignated as Non-Independent
Non-Executive Director
w.e.f. 1 January 2017

AUDIT COMMITTEE & NOMINATION COMMITTEE

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

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

Munawar Kabir Mohd Bin Zainal Abidin
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

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

Munawar Kabir Mohd Bin Zainal Abidin
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Dato' Fong Kok Yong
Managing Director - Chairman

Nolan John Felix
Group Accountant cum Company Secretary - Key Risk Officer

Datuk Fong Kiah Yeow
Executive Director - Member

Fong Ngan Teng
Executive Director - Member

Hoh Koei Teng
GM, Corporate Affairs - Member

Kow Keng Yam
GM, Development - Member

Kalaichelwan a/l Muniandy
Group Administration and Human Resource Manager - Member

Ng Sai Leang
Factory Manager - Member

Chung Cheng Yuan
Sr Group MIS Manager - Member

REGISTERED OFFICE

Level 8, Symphony House
Blok D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-7841 8000
Fax : 03-7841 8199

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 : 03-7849 0777 (Helpdesk)
Fax : 03-7841 8151/52

COMPANY SECRETARIES

Shahniza Anom Binti Elias (LS 0006472)
Nolan John Felix (MIA 18938)

AUDITORS

UHY
Chartered Accountants
Suite 11.05 Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2279 3088
Fax : 03-2279 3099

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad
Malayan Banking Berhad
Bank of China (Malaysia) Berhad

STOCK EXCHANGE LISTING

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

Directors' Profile

Y. BHG. DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR
CHAIRMAN OF NOMINATION COMMITTEE &
CHAIRMAN OF AUDIT COMMITTEE
70 years of age - Malaysian - Male

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 and one (1) special board meeting held during the financial year ended 31 December 2016.

Directors' Profile
(cont'd)

Y. BHG. DATO' FONG KOK YONG

MANAGING DIRECTOR
66 years of age – Malaysian – Male

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 wholly owned subsidiary of Farm's Best on 18 October 1976 as a Director. He presently oversees the Group's operations.

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

(i) Advisor to the Federation of Livestock Farmers' Associations of Malaysia (since 1995)
(ii) Member, Malaysian Institute of Management (since 1990)

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 21,463,805 shares in Farm's Best. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

Directors' Profile
(cont'd)

Y. BHG. DATUK FONG KIAH YEOW

EXECUTIVE DIRECTOR

62 years of age – Malaysian – Male

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 613,200 shares and an indirect interest of 21,463,805 shares in Farm's Best. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

FONG NGAN TENG

EXECUTIVE DIRECTOR

58 years of age – Malaysian – Male

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 21,463,805 shares in Farm's Best. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

Directors' Profile
(cont'd)

FONG CHOON KAI

EXECUTIVE DIRECTOR
55 years of age – Malaysian – Male

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 21,463,805 shares in Farm's Best. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

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

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
65 years of age – Malaysian – Male

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 Koperasi Jayadiri Malaysia Berhad, Wellcall Holdings Berhad and I-Capital.Biz Berhad and is the Independent Non- Executive Director in Bonia Corporation Berhad.

On 1 January 2017, Y. Bhg. Datuk Ng Peng Hay was redesignated as a Non- Independent Non- Executive Director in Farm's Best.

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 2016.

Directors' Profile
(cont'd)

MOHD KHASAN BIN AHMAD

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
CHAIRMAN OF REMUNERATION COMMITTEE
55 years of age - Malaysian - Male

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, Homeritz Corporation Berhad and Mexter Technology Berhad as an Independent Non-Executive Director.

As at the date of this annual report, Mohd Khasan does not have any interest in Farm's Best. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

Directors' Profile
(cont'd)

MUNAWAR KABIR MOHD BIN ZAINAL ABIDIN

INDEPENDENT NON-EXECUTIVE DIRECTOR
64 years of age - Malaysian - Male

Munawar Kabir Mohd Bin Zainal Abidin was appointed to the Board of Farm's Best on 17 September 2015. He is also a member of the Audit, Nomination and Remuneration Committees of Farm's Best.

Munawar Kabir Mohd began his career in 1978 as an Investigation Officer attached to the then National Bureau of Investigation which later underwent transformation and is currently known as the Malaysian Anti-Corruption Commission. Whilst attached at Malaysian Anti-Corruption Commission, Munawar Kabir Mohd was given the task of investigating and prosecuting cases involving corruption and malpractices. He has represented the Malaysian Government at the United Nations Convention against Corruption at Vienna, Austria pursuant to resolution 55/61 of 4th December 2000, in which the United Nations General Assembly established an Ad Hoc Committee for the negotiation of an effective international legal instrument against corruption.

In March 2005, Munawar Kabir Mohd was seconded to a national energy supply utility viz. Tenaga Nasional Berhad which is responsible for the Generation, Transmission and Distribution of energy supply in West Malaysia. He was initially seconded as a Senior Manager of the Intelligence & Investigation Unit and was later promoted to the General Manager of Security & Intelligence Division.

Munawar Kabir Mohd has been an active part of the prosecution team in several corruption cases; many of them being high profile corruption trials. He also has vast experience in the investigation and intelligence domain. Over the years, he was a member of the Task Force in matters related to International Extradition, Financial Disputes, Company Matters, Corporate Compliance Programmes, Forfeiture of Property and Money Laundering, to name a few.

Currently,Munawar Kabir Mohd is an Advocate & Solicitor and is the managing partner of Munawar & Associates.

As at the date of this annual report, Munawar Kabir Mohd does not have any interest in Farm's Best. He has all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2016.

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 5 years, other than traffic offences)
None of the Directors have been convicted for offences.

Key Senior Management Profile

Hoh Koei Teng
General Manager-Corporate Affairs
57 years of age- Malaysian- Male

Hoh Koei Teng has a professional accounting qualification who joined our Company in 1988 as an Accountant and currently holds the position of General Manager, Corporate Affairs. Prior joining our Company, Hoh Koei Teng has worked in various organisations.

Currently, Hoh Koei Teng oversees the corporate finance, accounting, management information system, human resource and administrative functions of the Group.

Kow Keng Yam
General Manager- Property Division
56 years of age- Malaysian- Male

Kow Keng Yam has been with Sinmah Development Sdn Bhd since January 1997 and currently is the General Manager of the Property Division. He graduated from Tunku Abdul Rahman College in Building Technology and Management in May 1984. Between 1984 – 1996, he worked in Supreme Corporation Berhad (now known as Lion Land Berhad).

He has more than 30 years of working experience in managing Mixed Development Housing Project in Property Development and Construction.

Nolan John Felix
Group Accountant cum Company Secretary
52 years of age- Malaysian- Male

Nolan John Felix graduated with a Degree in Accountancy and is a Member of Malaysian Institute of Accountant ("MIA"). He joined the Company in 2000.

Nolan John Felix has more than twenty five (25) years experiences in accounting, financial management and taxation. Prior to joining our Company, he has worked in few well-known professional accounting firms.

Currently, he oversees the accounting function and secretarial matters of the Group.

Tay Yek Lee
Group Accountant
40 years of age- Malaysian- Female

Tay Yek Lee graduated with a Degree in Accountancy and is a Member of Malaysian Institute Accountant ("MIA").She joined the Company in 2006 as Senior Accountant.

She has extensive experience in accounting and financial management. Prior to joining the Company, she has worked in a few professional accounting firms and commercial companies in the manufacturing sector.

Currently, Tay Yek Lee oversees the accounting function of the Group.

Key Senior Management Profile (cont'd)

Kalai Chelvan Muniandy
Group Administration and Human Resource Manager
53 years of age- Malaysian- Male

Kalai Chelvan Muniandy joined the Company since June 1996. Prior to joining our Company, he has worked in Education Ministry and Plantation Industry. He graduated from University of Malaya and also has completed Master in Occupational Safety Health and Risk Management. Kalai Chelvan Muniandy also a Certified Trainer and a Competent Safety & Health Officer with DOSH and CIDB. He is also a Committee Member of Human Resource FMM Melaka State.

He has been dealing in the field of Human Resources, Administration, Safety & Health, Training, Education, Industrial Relations, Public Relations, Halal, Quality & Productivity, and Auditing expertise in various industries such as Manufacturing, Farming, Property and Plantation over the past 27 years.

Chung Cheng Yuan
Group MIS Manager
43 years of age- Malaysian- Male

Chung Cheng Yuan graduated in 1998 with a Bachelor of Information Technology (Major in Computer Science) degree from The University of Southern Queensland in Australia.

Chung Cheng Yuan joined the Company in year 1995 as Computer Programmer. Currently, he works as Group MIS Manager to lead the IT department to develop, implement and manage the entire corporate IT system.

Many systems have been implemented over the years to ease the Company's operations, and one of the most remarkable system is the FPS system, which is used in food processing plant to track the entire production and provide real time information on stock movement.

Ng Sai Leang
Factory Manager
64 years of age- Malaysian- Male

Ng Sai Leang joined the Company in 1993. He has a total of more than 30 years of working experiences in the feed milling industry. He oversees the entire feed production and transportation department of the Company.

Prior joining the Company, he has worked in various manufacturing companies in Malaysia and Indonesia.

Azman Bin Mohd. Zainal
Quality Control Manager cum Safety,
Health and Environment Manager
51 year of age- Malaysian- Male

Azman has a degree in Physical Science from Colorado State University, USA and joined the Company in 1996 as a chemist. Azman has worked in various organizations before joining our company.

As a Quality Control Manager, Azman oversees the quality of incoming raw materials and the storage of those raw materials. As a Safety, Health and Environment Manager, Azman is looking into the safety, health and environment issue to ensure the Company follows all government regulation and acts.

Toh Bee Lang
Formulator cum Quality Assurance Manager- Feed Division
49 years of age- Malaysian- Female

Toh Bee Lang has a Bachelor of Science degree and joined the Company in 1996 as a Chemist. Toh Bee Lang is a registered member of IKM as an Associated Chemist.

Toh Bee Lang's job scope among others is to formulate poultry feeds and to maintain the Company's Quality Management System.

Key Senior Management Profile
(cont'd)

Yong Vee Ming
Marketing Manager- Broiler and Feed Division
37 years of age- Malaysian- Male

Yong Vee Ming has a Diploma in Electro Mechanical Engineering and joined the Company in year 2010. He has extensive experience in various areas in poultry industry such as technical as well as sales and marketing.

As a Marketing Manager, he is responsible to secure the contract farmers as well as the customers to the Company.

Yong Vee Ming has more than 15 years working experience in Sales and Marketing in the poultry industries.

Dr Narayanasamy S/O Nadesa Pillay
Techinal Service Manager- Veterinary Deparetment
62 years of age- Malaysian- Male

Dr.Narayanasamy holds a degree in Veterinary Science (Animal Husbandry) from India and joined the Company in 1988.

Dr.Narayanasamy heads a team of veterinarians in providing services to the Broiler Farms and Contract Broiler Farms.

Manoj Kumar Sukumaran
Senior Project Manager- Properties Division
48 years of age- Malaysian- Male

Manoj Kumar Sukumaran has been employed in Sinmah Builders Sdn Bhd since 1997 and currently holding the position of Senior Project Manager. He had pursued Diploma in Civil Engineering and is holding a Bachelor Degree in Construction Management. He is currently pursuing his Masters Degree in Safety and Risk Management at OUM.

In his early age, he was attached with YTL group. Manoj Kumar is also registered with CIDB Construction Personnel. He has more than 25 years of working experience in Planning and Managing construction work.

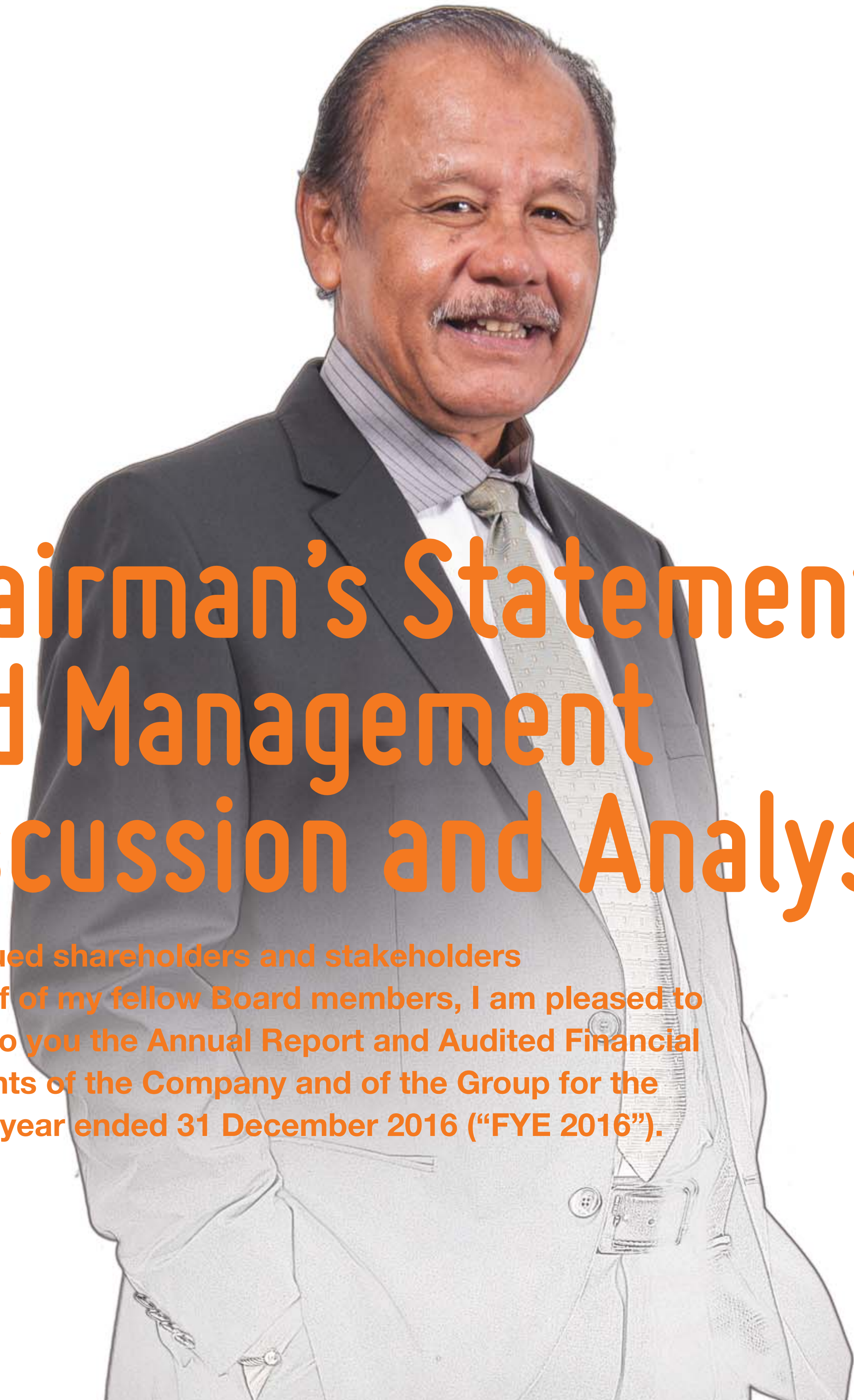
ADDITIONAL INFORMATION:

(i) Directorship in Public Companies
None of the Key Senior Management hold any directorship in Public Companies and the Company.

(ii) Family Relationship with any Director and/or Major Shareholder
None of the Key Senior Management have family relationship with any Director and/or major shareholder of the Company

(iii) Conflict of Interests
None of the Key Senior Management have any conflict of interest with the Company

(iv) Convictions for offences (within the past 5 years, other than traffic offences)
None of the Key Senior Management have been convicted for offences.



Chairman's Statement and Management Discussion and Analysis

Dear valued shareholders and stakeholders

On behalf of my fellow Board members, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2016 ("FYE 2016").

Chairman's Statement and Management Discussion and Analysis

(cont'd)

PERFORMANCE REVIEW

The Group posted revenue of RM343.6 million for the year ended 31 December 2016, a decrease of RM3.2 million or 1% as compared to the previous year's revenue of RM346.8 million. The decrease in revenue was due to decrease in sales volumes of live broilers during the year under review.

The Group recorded a net profit attributable to owners of the parent of RM11.9 million as opposed to a net loss attributable to owners of the parent of RM13.7 million in the previous financial year ended 31 December 2015, resulting in earnings per share of 19.5 sen in the financial year under review as opposed to a loss per share of 22.4 sen in the previous financial year ended 31 December 2015.

The positive results during the FYE 2016 was mainly due to a gain on disposal of a subsidiary of approximately RM18.2 million and a write-back of deferred taxation of RM6.9 million in the books of the disposed subsidiary.

The table below highlights the Group's key financial performance for FYE 2016:

	FYE 2016 RM'000	FYE 2015 RM'000	Changes RM'000
Revenue	343,696	346,763	-3,067
Expenses	75,542	54,847	+20,695
Other operating income	43,677	16,698	+26,979
Gross profit	36,836	24,494	+12,342
Profit/(loss) before taxation	4,971	(13,655)	+18,626
Profit/(loss) after taxation	11,915	(13,391)	+25,306
Gross profit margin	10.7%	7.1%	+3.6%
Pre-tax margin	1.4%	(3.9%)	+5.3%
Net profit margin	3.5%	(3.9%)	+7.4%

Group revenue decreased slightly by about RM3.1 million or 1%, represented by decrease in revenue from poultry division by about RM18.0 million and increase in revenue from housing development division by about RM13.5 million.

The decrease in revenue from poultry division was mainly due to decrease in sales volume of live broilers brought about by lower productivity at broiler farms. The increase in revenue from the housing development division was mainly due to completion of 121 units of property during the year under review compare to only 71 units in the previous financial year. This resulted in a higher recognition of profit as 118 units of these 121 units have been sold compared 49 units of the 71 units completed in the last financial year have been sold. The unsold units of the previous financial year remained unsold and form the inventory of the property development division.

Other operating income increased by RM27.0 million mainly due to a gain on disposal of a subsidiary of approximately RM18.2 million and a gain on disposal of its biological assets of about RM10.2 million.

Expenses increased by RM20.7 million mainly due to impairment on trade receivables of about RM22.6 million during the year under review as compared to RM3.9 million during the previous year ended 31 December 2015.

FINANCIAL POSITION AND CASH FLOWS

	FYE 2016 RM'000	FYE 2015 RM'000	Changes RM'000
Total assets	343,841	409,635	-65,794
Total liabilities	247,952	325,619	-77,667
Total equity	95,889	84,016	+11,873
Total borrowings	185,820	239,879	-54,059
Cash and bank balances	2,566	6,125	-3,559
Issued and fully paid capital ('000)	61,083	61,083	-
Net assets per share (sen)	157.0	137.5	+19.5
Basic earnings/(loss) per share (sen)	19.5	(22.4)	+41.9

Decrease in total assets and total liabilities were mainly due to disposal of a subsidiary during the financial year. The disposal of the subsidiary brought a positive impact to the financial statements of the Group whereby the Group's gearing ratio has decreased from 2.83 in the FYE 2015 to 1.94 in the FYE 2016.

OPERATIONS AND BUSINESS REVIEW

The principal activity of the Company is investment holding while its subsidiaries are organized into business units based on their products and services and together the Group has three reportable operating segments as follows:

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.

Housing development
This consists of development and construction of residential and commercial properties.

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

The Group's poultry operations exports about 25% of the live broilers it farms annually, about 25% are supplied to its poultry processing plant and the balance of 50% are supplied to local wet market wholesalers. During the financial year under review, the Group completed the disposal of a subsidiary that operates the poultry processing plant. The Group has also entered in sale and purchase agreements to dispose off its breeder and hatchery assets as well as its broiler farm assets. However, the Group will still be involved in production of broilers through contract farming arrangements with farmers who have land and farm buildings for broiler rearing activities. Going forward, the Group will focus on its feedmilling and broiler rearing activities in its poultry business segment.

The Group's housing development operations are currently based in Melaka only. Since venturing into the housing development activity in 1995, the Group has undertaken housing development projects in the following localities:

1) Bukit Katil
   The Group commenced its housing development activities in 1995 by developing freehold land located at Bukit Katil, Melaka into 1,473 units of mixed residential and commercial properties. Development in this area is at its tail end and there is left 18 lots of land that is left to be developed. All other units have been completed and sold.

   The 18 lots of land comprise the following:

   i) 10 units of single-storey terrace houses, of which 3 units have already commenced construction in the financial year under review. Out of the 3 units built, 2 units have already been sold and profit was recognized on the percentage of completion basis during the financial year under review. The other 7 units have yet to commence construction.
   ii) 6 units of 2 ½ storey semi-detached houses, which have commenced construction during the financial year under review but have yet to be sold. Hence, no profit was recognized during the financial year under review.
   iii) 2 units of bungalow land which the Group intends to sub-divide and build semi-detached houses on them.

Chairman's Statement and Management Discussion and Analysis
(cont'd)

2) Krubong
In 2008, the Group purchased a piece of leasehold land measuring 24.282 hectares to be developed into 711 units of mixed development. During the year, 121 units of properties were fully completed construction bringing in total the number of units completed construction since the beginning of development to 500 units. The remaining units still under construction or yet to commence construction are as follows:

i) 60 units double-storey terrace houses, all having commenced construction during the financial year under review with 30 units already sold.
ii) 120 units of "rumah mampu milik" which have yet to commence construction during the financial year under review.
iii) 1 piece of commercial unit which the Group intends to sub-divide and built double-storey terrace houses.
iv) 1 piece of bungalow lot which could either be sold as land only or with building erected on it. The Group is still undecided on this.

3) Tanjung Minyak
This is a relatively small piece of freehold land on which the Group had intended to build 14 units of double-storey terrace houses and 24 units of double-storey shop office. All 14 units of double-storey terrace houses and 15 units of the double-storey shop office have been launched and commenced construction during the financial year under review. All 14 units of double-storey terrace houses have already been sold while under construction but only 3 units of the shop office have been sold. Due to the slow take up rate of the shop offices, the Group intends to apply for change in plan for the 9 units of shop offices that have yet to commence construction. This is still in progress as at the end of the current financial year under review.

The other business segments of the Group do not have any export sales.

The Group's poultry division turned in a loss before tax of RM9.2 million during the financial year under review as compared to a loss before tax of RM14.4 million during the previous financial year. The decrease in loss in the Group's poultry division was mainly due to increase in average selling prices of live broilers during the year under review.

The Group's housing development division reported a higher profit before tax of RM1.7 million during the financial year under review as compared to a profit before tax of RM1.1 million during the previous financial year. The increase in profit was mainly due to increase in revenue recognized as a result of more houses were completed and sold during the financial year under review as compared to the previous financial year.

Turnover for the housing development division amounted to RM24.6 million during the financial year under review compared to RM11.1 million during the previous financial year.

The Group's other business segment reported a profit before tax of RM12.4 million during the year under review as opposed to a loss before tax of RM0.4 million during the previous financial year. This was mainly due to the gain on disposal of a subsidiary of RM18.2 million during the financial year under review.

INDUSTRY TREND, DEVELOPMENT AND PROSPECTS

During the financial year under review, the Company disposed off a subsidiary which operated a poultry processing plant in Masjid Tanah, Melaka. The Group's breeder operations had entered into sale and purchase agreements to dispose off breeder farm and hatchery assets to the disposed subsidiary. The breeder farm assets have been classified as held for sale assets during the financial year under review. Subsequent to the year end, the Group's broiler operations also entered in sale and purchase agreements to dispose off broiler farm assets to the disposed subsidiary.

Going forward, the Group is exiting the breeder and hatchery operations but will continue to be involved in feedmilling and broiler rearing operations. The Group's business segment will continue to be analysed into poultry, housing development and others. Although the Group has entered in sale and purchase agreements to dispose off its broiler farm assets, the Group intends to continue producing broilers through contract farming activities and also to trade in live broilers which will be purchased from open market and supplied to existing customers.

In the meantime, the Group is looking at ways to enhance its housing development operations. On 31 October 2016, Sinmah Development Sdn. Bhd. ("SDSB"), a wholly-owned subsidiary of the Company had entered into a memorandum of Understanding ("MOU") with Encorp Bukit Katil Sdn. Bhd. ("EBKSB"), the Master Developer for the development of a parcel of leasehold land measuring approximately 640.98 acres held under PN43209, Lot No. 6934 Mukim Bukit Katil, District of Melaka in the State of Melaka ("Bukit Katil Land"), to jointly develop 100 acres of land located within the Bukit Katil Land ("the proposed JV Project"). The MOU stipulates SDSB's and EBKSB's mutual understanding in relation to the Proposed JV Project, which will be formalized in a joint venture agreement ("JVA") to be entered into between SDSB and EBKSB on terms and conditions to be mutually agreed.

The MOU is not intended to create legal relations between SDSB and EBKSB and shall not constitute a contractually binding arrangement between SDSB and EBKSB. The signing of the MOU will enable SDSB to be involved in more development activities.

Going forward, the Group will also be providing project management services to developers with the view of enhancing its housing development activities.

RISK MANAGEMENT

The Group has in place a risk management system to manage the risks of the Group. Among the risks managed by the Group are the following:

i) **Fluctuations in commodity prices**
The Group's feedmilling operations purchase various raw materials for feed production, some of which are imported, such as corn and soybean meal. These imported raw feedstuffs are subject to fluctuations in commodity prices. The Group mitigates the risk of fluctuations in commodity prices by entering into forward contracts for corn and soybean meal. The Group's housing development operations are also affected by the risk of fluctuating building material prices, such as steel, timber, bricks and cement. This risk is mitigated through constant monitoring of commodity prices to ensure that building materials are purchased in advance of impending prices increases.

ii) **Fluctuations in foreign currency exchange**
In importing corn and soybean meal, the Group is exposed to the risk of fluctuations in foreign currency exchange as prices of these commodities are usually quoted in US Dollars. The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

iii) **Disease challenges**
The Group mitigates the risk of disease challenges in its poultry rearing activities by ensuring proper bio-security measures are implemented at all farms in order to reduce the risk of outbreak of diseases.

iv) **Credit risk**
The Group's exposure to credit risk arises principally its receivables from customers and deposits with licensed banks and financial institutions. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

v) **Liquidity risks**
The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

vi) **Interest rate risks**
The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to risk of change in the fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at banks and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risks by reviewing its debts portfolio to ensure favourable rates are obtained.

CORPORATE GOVERNANCE

The Group is committed to implement the best practice of corporate governance to enhance and increase shareholders' value. The Group has its risk management and internal control procedures in place to ensure transparency, accountability and integrity are attained and maintained in managing the Group businesses.

Policies that the Group has officially adopted include Corporate Disclosure Policy, Fraud Policy, Whistle Blowing Policy and Group Risk Management Policy, where the Group will continue to adopt more corporate policies to ensure sustainability of the Group.

The Board of Directors' responsibilities for preparing the annual audited financial statements are disclosed in the Directors' Responsibilities Statement set out in this Annual Report 2016.

The audited financial statements of Farm's Best Berhad are not subject to any qualification as disclosed in the Independent Auditors' Report to the Members.

ACKNOWLEDGEMENT

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

I also wish to extend my most heartfelt appreciation to my fellow Board members for their support, contribution and dedication in discharging their duties and responsibilities. We also recognize that our dedicated workforce remains the backbone of the Group and they had helped to build a good reputation that the Group currently enjoys. On behalf of the Board, I wish to express our utmost appreciation to them. The success the Group achieved in FYE 2016 would not have been possible without their efforts.

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

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN
CHAIRMAN

Enhancing Life

Every detail is taken into consideration when we plan our projects in order to meet our customers' expectations. Consequently, we are able to maintain a high demand for our properties.

Corporate Social Responsibility

INTRODUCTION

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

Our policies/ activities in these are as follow:-

ENVIRONMENT

The Group is aware of its responsibility to protect the environment in which it operates in. As such, for the preservation of air quality, the Group ensures that its feedmill plant monitors its dust collector emission and chimney emission to ensure that the emissions are within 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.

Corporate Social Responsibility
(Cont'd)

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.

The Group strives to provide a safe and healthy working environment for its employees, in order to safeguard the safety and health of its employees. During the financial year ended 31 December 2016, its feedmilling plant reported zero incidence of accidents involving its employees.

The Group also provides trainings to its employees for safety and staff development purposes, based on the training needs of the employees. The trainings are provided internally and by external consultants. During the financial year under review, the Group's feedmilling plant conducted 2 external trainings and 5 internal trainings for its employees. The housing development operation carried out informal weekly site meetings and also provided four (4) on-site safety training conducted by external consultants during the financial year under review.

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. Other corporate responsibility initiatives of the Group include donation in-kind to Montfort Youth Centre to help raise funds for the centre during the centre's Open Day in May 2016 and provision of industrial training to students of higher education institutions in Malaysia.

MARKET PLACE

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

Corporate Governance Statement

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

Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), this Corporate Governance Statement (the "Statement") sets out how the Company has applied the Principles of the Malaysian Code on Corporate Governance ("MCCG 2012") and observed the Recommendations supporting the Principles for the year under review. Where a specific Recommendation of the MCCG 2012 has not been observed during the year under review, the non-observation, including the reasons thereof, and the alternative practice, if any, is mentioned in this Statement.

This statement sets out the manner in which the Group has applied the principles and recommendations of MCCG 2012 and the Board will continue to implement measures to improve compliance with principles and recommended best practices moving forward.

Principle 1 - Establish Clear Roles and Responsibilities of the Board and Management

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

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- reviewing and approving quarterly financial results and the annual audited financial statements to be submitted to Bursa Malaysia Securities Berhad ("Bursa Malaysia"):
- overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
- reviewing principal business risks faced by the Group which were identified by Risk Management Committee and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to Senior Management positions are of sufficient calibre, including the orderly succession of Senior Management personnel;
- overseeing the development and implementation of a shareholder communications policy, including an investor relations programme for the Company; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

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

Board Charter

Whilst Directors and Management of the Company are aware of their respective roles and responsibilities, including the limits of authority accorded, the Board recognizes the need to formalize such demarcation of duties to provide clarity and guidance to Directors and Management. Accordingly, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management are specified in the Company's Board Charter.

The Board Charter, which has been adopted by the Board, serves as a referencing point for Board's activities to enable Directors carry out their stewardship role and discharge their fiduciary duties towards the Company.

The Board Charter also includes a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company are in the Board's hands. In line with Recommendation 1.7 of the MCCG 2012, the Board Charter has been uploaded on the Company's website at *http:\\www.farmsbest.com.my*. The Board will review the Board Charter of the Company annually and will update the Board Charter where appropriate, from time to time.

Corporate Governance Statement
(Cont'd)

Code of Conduct and Whistle-Blower Policy

The Board has developed a Code of Conduct for employees of the Group as well as for Directors, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior across the Group. The Code of Conduct for Directors, which is included in the Board Charter, includes pertinent whistle-blower procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of conduct involving employee, Management or Director in the Group. The Board also recognizes the importance of adherence to the Code by all personnel in the Group and will take measures to put in place a process to ensure its compliance. Both Whistle-Blowing Policy and Fraud Policy has been uploaded on the Company's website at *http:\\www.farmsbest.com.my*.

Succession Planning Policy

The Board acknowledges the importance of succession planning process and adopts an informal process of assessment to identify suitable, capable and dedicated staffs to groom them in order to ensure no disruption in the daily running of operations in event of any senior management resignation or unexpected vacancy due to any unforeseen circumstances. The Board is currently in the process of establishing and formalising a succession planning policy. The succession planning policy is expected to be completed and formalised by the end of second quarter of this year.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Company has always carried out activities which endeavour to maintain a proper balance between our economic, social and environmental responsibilities and the interests of our stakeholders. The Company has always embraced responsibility to promote sustainability into its business by encouraging positive impact through its activities on the Environment, Market Place, Community and also promoting Governance.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on page 25 and 26 of this Annual Report. Going forward, the Board will also take steps to formalize the Company's sustainability policy and embed the environment, social and governance elements in its corporate strategy.

Supply of, and Access to, Information

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

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

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

Corporate Governance Statement
(Cont'd)

Support of Qualified and Competent Company Secretaries

The Board is supported by suitable qualified and competent Company Secretaries who are accountable to the Board through the Chairman of the Board and Committees on all governance matters.

The Company Secretaries are a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company. The Board members have unlimited access to the professional advice and services of the Company Secretaries.

The Company Secretaries assist in reviewing the Board agendas and Board papers, where applicable prior to circulation to the Board. The Company Secretaries attend and ensure that all Board and Board Committees decisions are well recorded in the minutes and subsequently communicated promptly to the Management for implementation. In addition, the Company Secretaries also facilitate the Board in conducting the annual Board Effective Assessment.

The Company Secretaries maintain up-to date knowledge of the regulatory requirements and are in a position to advise the Board and its committees on compliance matters as appropriate.

Principle 2 - Strengthen Composition of the Board

During the financial year under review, the Board consisted of eight (8) members, comprising five (5) Executive Directors and three (3) Independent Non-Executive Directors. One of the Executive Directors had been re-designated as Non-Independent Non-Executive Director with effect from 1 January 2017. This composition fulfills the requirements as set out under the Listing Requirements of Bursa, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be .Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience in relevant fields such as poultry farming, business administration, planning, legal and corporate finance, development and marketing. The profile of each Director is set out on pages 9 to 14 of this Annual Report.

The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group business activities, but also the importance of independence in decision making at the Board level.

There are four (4) main board committees namely:

- Audit Committee ("AC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")
- Risk Management Committee ("RMC")

Audit Committee (AC)

The composition and a summary of the activities of the AC are set out in the AC Report in this Annual Report.

Based on the terms of reference of the AC, at least one member of the AC:-

(i) must be a member of the Malaysian Institute of Accountants, or
(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience; and
(iii) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
(iv) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
(v) fulfils such other requirements as prescribed or approved by the Exchange.

During the financial year Mohd Khasan Bin Ahmad fulfilled the above criteria.

Corporate Governance Statement
(Cont'd)

Nomination Committee (NC) – Selection and Assessment of Directors

The Nomination Committee consists of three (3) members, comprising exclusively of Independent Non-Executive Directors.

The NC met two (2) times during the financial year ended 31 December 2016. The members and their attendance are as follows:-

Members	Number of Meetings attended in 2016
Datuk Hj. Zainal Bin Hj. Shamsudin Chairman/Independent Non-Executive Director	2/2
Mohd Khasan Bin Ahmad Member/Senior Independent Non-Executive Director	1/2
Munawar Kabir Mohd Bin Zainal Abidin Member/Independent Non-Executive Director	2/2

The terms of reference of the NC has been uploaded on the Company's website at *www.farmsbest.com.my*.

Statement on activities of the Nomination Committee ("NC")

During the meeting, the following matters were discussed:

a) reviewing and assessing the annual performance and effectiveness of the Board and the Board Committees as a whole;
b) reviewing and assessing the annual independence assessment of the Independent Directors;
c) reviewing and assessing the composition of the Board Committees;
d) reviewing and assessing the performance and making recommendations to the Board regarding the Directors who are seeking re-election at the AGM;
e) reviewing and assessing the independence assessment of the Independent Directors who have served in that capacity for a period of more than nine (9) years and making recommendation to the Board to seek re-appointment at the AGM;
f) Overseeing the appointment succession planning and performance evaluation of the Top Management; and
g) Reviewing and assessing a director and recommending to the Board for his re-designation from Non-Independent Executive Director to Non-Independent Non-Executive Director.

Insofar as board diversity is concerned, the Board does not discriminate on the basis of age, gender, physical disability or religion. The evaluation of the suitability of candidates for filling of casual vacancy, re-election or re-appointment is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as INED, as the case may be. The NC has also taken this into consideration when assessing the performance of the Directors.

Another section on Diversity Policy is disclosed at the later part of this Corporate Governance Statement.

Corporate Governance Statement
(Cont'd)

Remuneration Committee ("RC") - Directors' Remuneration

The RC consists of five (5) members, majority of whom are Independent.

The RC met two (2) times during the financial year ended 31 December 2016. The members and their attendance are as follows:-

Members	Number of Meetings attended in 2016
Mohd Khasan Bin Ahmad Chairman/Senior Independent Non-Executive Director	1/2
Datuk Hj. Zainal Bin Hj.Shamsudin Member/Independent Non-Executive Director	2/2
Munawar Kabir Mohd Bin Zainal Abidin Member/Independent Non-Executive Director	2/2
Dato' Fong Kok Yong Member/Managing Director	2/2
Datuk Fong Kiah Yeow Member/Executive Director	2/2

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

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

Details of the aggregate remuneration of Directors for the financial year ended 31 December 2016 are as follows:

	Group		Company	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
<u>Total remuneration</u>				
Fees	-	120	-	120
Salaries & other emoluments	2,486	-	-	-
Pension costs – defined contribution plan	287	-	-	-
	2,773	120	-	120

Corporate Governance Statement
(Cont'd)

The number of Directors whose remuneration falls within the bands of RM50,000 is as follows:

	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	3	3
RM200,001 to RM250,000	1	-	1
RM600,001 to RM650,000	4	-	4

The Company has opted not to disclose each Director's remuneration as the Board considers the information to be sensitive and proprietary.

Risk Management Committee ("RMC")

The RMC comprises three (3) Executive Directors and six (6) management staff, comprising general managers and heads of departments. During the financial year the RMC established the Group Risk Management Policy and the Board of Directors approved and formalized the policy. The Group Risk Management Policy has been uploaded on the Company's website at *www.farmsbest.com.my*.

Principle 3 – Reinforce Independence of the Board

Directors' Independence

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

The Managing Director, supported by his fellow Executive Directors, implements the Group's strategic plan, policies and decisions adopted by the Board; and oversees the operations and business development of the Group.

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

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

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

Datuk Hj. Zainal Bin Hj. Shamsudin and Mohd Khasan Bin Ahmad have served the Board as Independent Non-Executive Directors beyond the 9-year tenure limit promulgated by the MCCG 2012. Hence, the Board has, after conducting an assessment of their performance as Independent Directors, recommended them for shareholders' approval to continue to act as INEDs for the ensuing year based on the following justifications:

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

The criteria for independent directors used by the Board in assessing the Independent Directors of the Company accord with those of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Diversity Policy

Currently the Board has not set the limit of diversification on its Board composition to achieve the 30% representation from women as the Board is of the opinion that the appointment of directors are based on merits without giving regards to the gender of the appointed directors and also considers the following criteria:-

(i) who have required mix of skills, experience and other qualities and competencies;
(ii) who have the highest standard of conduct and integrity;
(iii) who fulfill the regulatory compliance and selection criteria;
(iv) who can provide effective contribution and support to the functions of the Board; and
(v) who are more in tune with the business model of the Company.

However, the Board has directed the management of the Company to begin the assessment of its current diversity levels of the Group and consider linking achievement of the measurable objective to be established by the Board. Consideration must be given to all recommendations to the Board the establishment of the measurable diversity objectives and also that to link the achievement of these measurable objectives to key performance indicators of the Company. The NC shall review and monitor from time to time the status of the diversity level.

The diverse backgrounds of the Board of Directors of the Company by gender, age and races as at 31 December 2016 is as follows:

Age (Years)	**41 - 60**		**61 above**		**Total**
Race	**M**	**C**	**M**	**C**	
	%	**%**	**%**	**%**	**%**
Male	12	25	25	38	100

M – Malay C – Chinese

Corporate Governance Statement
(Cont'd)

The total workforce of the Group by gender, age and races as at 31 December 2016 is as follows:

Age (Years)	18 - 30				31 - 40				41 above				Total
Race	M	C	I	O	M	C	I	O	M	C	I	O	
	%	%	%	%	%	%	%	%	%	%	%	%	%
Female	3	1	-	-	2	2	1	-	6	3	1	-	19
Male	6	1	3	10	6	1	2	18	13	5	9	7	81
Total	9	2	3	10	8	3	3	18	19	8	10	7	100

M – Malay C – Chinese I – Indian O – Others

Principle 4 – Foster commitment of Directors

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

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

During the financial year ended 31 December 2016, five (5) Board meetings and one (1) Special Board meeting were held. Details of the attendance are as follows:

Directors	Designation	No. of Board Meetings Attended	No. of Special Board Meetings Attended	Percentage (%)
Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	1/1	100%
Dato' Fong Kok Yong	Managing Director	5/5	1/1	100%
Datuk Fong Kiah Yeow	Executive Director	5/5	1/1	100%
Fong Ngan Teng	Executive Director	5/5	1/1	100%
Fong Choon Kai	Executive Director	5/5	1/1	100%
Datuk Ng Peng Hay @ Ng Peng Hong	Executive Director	5/5	0/1	83%
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	1/1	100%
Munawar Kabir Mohd Bin Zainal Abidin	Independent Non-Executive Director	5/5	1/1	100%

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

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

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

Directors' Training – Continuing Education Programmes

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

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

All Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd within the stipulated timeframe required in the Listing Requirements.

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.

All the directors had on 28 November 2016 attended a training session on The Draft Malaysian Code on Corporate Governance 2016 and Amendments to the Main Market Listing Requirements on 24 March 2016. Both sessions were conducted by a former risk consulting partner of KPMG Management & Risk Consultancy Sdn Bhd.

Apart from the above, the following directors attended:

(i) Mohd Khasan Bin Ahmad had on 9 March 2016 attended the seminar titled "CG Breakfast Series for Directors: Future of Auditor Reporting – The Game Changer for Boardroom", conducted by BursatraSdn Bhd.
(ii) Mohd Khasan Bin Ahmad, Datuk Hj. Zainal Bin Hj. Shamsudin and Munawar Kabir Mohd Bin Zainal Abidin had on 8 December 2016 attended the seminar titled "CG Breakfast Series: Anti-corruption & Integrity – Foundation of Corporate Sustainability", conducted by BursatraSdn Bhd.

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

Principle 5 – Uphold integrity in financial reporting by the Company

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

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

The Board maintains a transparent and professional relationship with the external auditors. The Audit Committee invites the external auditors to attend all its meetings and when required to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Executive Directors and management at least twice (2) a year on any matters relating to the Group and its audit activities. From time to time, the external auditors highlight matters that require Board's attention.

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

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

Principle 6 – Recognise and manage risks of the Group

Recognising the importance of risk management, the Board had on 28 November 2016, formalized a Group Risk Management Policy. The policy established a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis. A Risk Management Committee has been formed and led by the Company's Managing Director , Executive Directors and all the Heads of Department of the Group.

The risk profiles of the Group will be reviewed on an annual basis. Further details of this process are set out in the Statement on Risk management and Internal Control in this Annual Report.

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

Principle 7 – Ensure timely and high quality disclosure

The Board has established and formalized a Corporate Disclosure Policy on 26 May 2016 in order to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. The Corporate Disclosure Policy was formalized not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board had earmark a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, rights of shareholders and the Company's Annual Report may be accessed. All information made available to Bursa Malaysia Securities Berhad are immediately uploaded to the Company's website at *www.farmsbest.com.my*.

Principle 8 – Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

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

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general.

The Company shall start to conduct its general meetings by poll instead of voting by show of hands as practiced previously to comply with Paragraph 8.31A of the LR (voting by poll). The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company's website after the general meetings. The External Auditors attend the AGM to answer shareholders' questions on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditors in the audit process.

Communication and engagement with shareholders

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

The upcoming Annual general Meeting represents the principal forum for dialogue and interaction with shareholders. Shareholders are accorded both the opportunity and time to raise questions on agenda items of the general meeting.

Compliance Statement

The Board is supportive of all the Recommendations of the Code and will take reasonable steps to review existing policies and procedures in place from time to time to ensure full compliance thereof.

This Statement on Corporate Governance was approved by the Board of Directors on 11 April 2017.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group during the financial year under review. This Statement also takes into account the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers released by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of Internal Control Statement pursuant to paragraph 15.26(b) of the Listing Requirements.

BOARD'S RESPONSIBILITY

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

The Board affirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by major companies in the Group. This review process is conducted by the Company's Management team and out-sourced internal audit function.

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

RISK MANAGEMENT

In line with Recommendation 6.1 of the Malaysian Code on Corporate Governance 2012, the Board has established a structured group risk management policy, as the governance structure and processes for the risk management on group wide, in order to embed the risk management practice into all level of the Group and to identify, evaluate, control, report and monitor significant business risks faced by major companies in the Group on systematic manner, where the updated risk profiles of the companies concerned are tabled to the Audit Committee and the Board for review and deliberation and action plans to be taken by Management in mitigating the risks, as deemed necessary.

The Board had in November 2016 formalized the Group Risk Management Policy ("GRM Policy") and its governance structure whereby Risk Management Committee ("RMC") which is headed by the Group's Managing Director and comprises the Head of each department was established. The GRM Policy was tabled by RMC to and approved by the Board in November 2016. The GRM Policy acts as second-line-of-defense.

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

The GRM Policy established lays down the risk management's objectives, processes and acceptable risk appetite established by the Board with proper governance structure of the risk management activities of the Group established as follows:

Clear roles and responsibilities of the Board, the Audit Committee, RMC, risk owners, key risk officer and internal audit function are defined in the GRM Policy. The RMC is chaired by Group Managing Director and guided by formal terms of reference embodied in the GRM Policy.

In particular, the roles and responsibilities of the RMC are as follows:-

(a) implement the risk management policy as approved by the Board;
(b) develop and implement the risk management process which includes the identification of key risks and devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate methodology to the risk owners;
(c) ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.), risk management policy & process and risk appetite/tolerance;
(d) continuous review and update of the Key Risk Registers of the Group due to changes in internal business processes, business strategies or external environment and determination of management action plan, if required;
(e) update the Board, through the Audit Committee, on changes to the Key Risk Registers on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal business processes, business strategies or external environment) and the course of action to be taken by management in managing the changes; and
(f) to perform risk identification and assessment in relation to major asset/business acquisition or divestment or business diversification or business consolidation and to report the results of the assessment to the Board for strategic decision making

In addition, the Group adopts a decentralized approach to operational risk management, where all the risk owners take ownership and accountability for risks at their respective levels. The risk owners within their area of expertise and operational responsibilities are delegated with the following roles and responsibilities:

(a) manage the risks of the business processes under his/her control;
(b) continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact;
(c) to report to the RMC of the emergence of new business risks or change in the existing business risks through prescribed form on a timely manner and assist the RMC with the development of the management action plans and implement these action plans;
(d) assist the RMC with the half-yearly update of the changes in the Key Risk Registers, management action plans and the status of these plans; and
(e) ensure that staffs working under him/her understand the risk exposure of the relevant process under his / her duty and the importance of the related controls.

Statement on Risk Management and Internal Control

(Cont'd)

The Group Accountant acts as the Key Risk Officer and also the Secretary of the RMC. The Key Risk Officer actively assist the Group's Managing Director to co-ordinate and liaise with each Heads of Department and risk owners to assess the risk of the Group as a whole.

Systematic risk management process is stipulated in the GRM Policy, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the RMC and the risk owners. Risk assessment, at gross and residual level, whereby the business risks identified are scored for likelihood of their occurrence and the magnitude of impact upon the Group based on the relevant risk parameters established by the Board that articulate the risk appetite of the companies concerned. Based on the risk management process, key risk registers were compiled by the RMC, with relevant key risks identified rated based on the agreed upon risk rating. The key risk registers are used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring and that any material opportunities are not overlooked. As an important risk monitoring mechanism, the RMC is scheduled to review the key risk registers of key operating subsidiaries and assessment of emerging risks identified at strategic and operational level at least twice a year or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

During the year, the RMC met twice to in order to set up its GRM Policy for the Board for approval and to update its Key Risk Registers for compilation into Risk Profile for 2016 tabled to the Audit Committee and the Board for review of its adequacy and effectiveness.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives tailored to specific business risks required attention by the Audit Committee and the Board based on the Risk Profile of the Group and scheduled in the internal plan approved by the Audit Committee.

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group's Managing Director and Management and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defense, respective heads of departments/divisions (i.e. risk owners) are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Group's Managing Director and the Executive Directors for the final decision on the formulation and implementation of effective internal controls and reported to the Audit Committee and the Board by the Group's Managing Director and the Executive Directors.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

Please refer to the "Risk Factors Exposure" of the Management Discussion and Analysis for the significant risks faced by the Group and the mitigation plans implemented.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by appointing NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), an independent professional firm to conduct internal audit on an out-sourced basis. The scope of work performed by NeedsBridge comprises the conduct of internal audit to assess the adequacy and integrity of the governance, risk and internal control processes, and highlighting to the Audit Committee significant areas for improvements as well as risks that may impact the business units concerned.

The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The scope of control review by the outsourced internal audit function is determined and approved by the Audit Committee with feedback from the executive management.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

The oversight of the outsourced internal audit function by the Audit Committee was enhanced with the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/exposure and continuous professional development for the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

Based on the above review, the engagement terms, the approved internal audit plans, internal audit works performed and reports by outsourced internal audit function, the Audit Committee is of the opinion that the scope, functions (including independence), competency, resources, authorities granted to the internal audit functions as well as internal audit program and processes are adequate to provide the Audit Committee with reasonable assurance that governance, risk and control structures and processes of the Group is adequate and effective and that the results of the internal audit program, processes or investigation undertaken is adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal audit functions.

Risk-based internal audit plan in respect of financial year ended 31 December 2016 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the Risk Profile of the Group, the Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 31 December 2016, the outsourced internal audit function has conducted review, based on the internal audit plan approved by the Audit Committee; on cash flow planning and management; progress billing management; payment and disbursement; debt financing management; internet banking system policy and procedure; feasibility study management; regulatory approval management; sales and marketing strategy management; advertising and promotion management; sales enquiry and processing management; pricing development and management; discount and rebate management and Goods and Services tax review for property development division based in Malaysia; and production planning and monitoring; manpower planning and monitoring; shop floor control; in-process and outgoing quality control; safety, health and environment management; formulation development and management; operating assets maintenance; compliance with laws and regulations and Goods and Services tax review for feed milling division based in Malaysia.

Upon the completion of the individual internal audit field works during the financial year, the internal audit reports were presented by the outsourced internal audit function to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

INTERNAL CONTROL

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

- *Control environment*

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

  The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Human Resource Manual whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Human Resource Manual.
  To further enhance the ethical value throughout the Group, formal whistle blowing and fraud policy had been put in place by the Board to reduce the risk of fraud and conflict of interest within the Group.

- *Control structure*

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

Statement on Risk Management and Internal Control

(Cont'd)

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

Management

- Through the Group's Business and Financial Policies and Procedures manual, Management has introduced well-established standard operating procedures that cover key aspects of the Group's business processes. These policies and procedures deal with, inter-alia, control issues for financial accounting and reporting, treasury management, asset security, information technology, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements;
- Authority limits are established to provide a functional framework of authority in approving revenue and capital expenditure;
- Regular informal meetings with Heads of division which provide a platform for the Heads of division to communicate with, and provide feedback to Management.

Audit Committee

The Audit Committee reviews and notes the internal audit observations reported by the outsourced internal audit function, including follow-up by the outsourced internal audit function on the status of Management-agreed action plans to address observations reported in preceding cycles of internal audit. Internal audits are carried out by the outsourced internal audit functions (which reports directly to the Audit Committee) on key risk areas identified based on the Risk Profile of the Group. The outsourced internal audit function assesses the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlights potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit Committee.
The Audit Committee Report in this Annual Report, contains further details on the activities undertaken by the Audit Committee during the financial year under review.

Board

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

- *Reporting and information*

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

  - The Group has in place a budgeting process that provides for a responsibility accounting framework;
  - The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection.
  - Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management to perform financial reviews on the various operating subsidiaries. The reviews encompass explanation of variances of monthly results seeking explanation for such variances.
  - The Executive Directors review the monthly management accounts of all major operating companies in the Group; and
  - The Executive Directors conduct monthly meetings with Management of all significant business units within the Group to discuss the various aspects of the business, financial and operational performance of the Group.

Statement on Risk Management and Internal Control

(Cont'd)

- Monitoring and review

  The system of internal controls is reviewed on an ongoing basis by the Board through the Audit Committee, which is also responsible for monitoring compliance with policies, procedures and guidelines.

  In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the fourth-line-of-defense.

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

In line with the Guidelines, the Board has received written assurance from the Managing Director, being highest ranking executive in the Company and the Executive Director (Finance), being the person primarily responsible for the management of the financial affairs of the Company, stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review.

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

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

With the review coupled with the assurance provided by the Managing Director and the Executive Director (Finance), the Board is of the opinion that the risk management and internal control systems are satisfactory and there have been no weaknesses in the system of risk management and internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2016, other than impairment of receivables and bad debts totaling RM22.61 million. The Board continues to take measures to strengthen the internal control environment from time to time based on the recommendations of the out-sourced internal audit function as well as the external auditors.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed the Statement of Risk management and Internal Control. Their review has been conducted to assess whether the Statement of Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in assessing the risks faced by the Group and also in reviewing the adequacy and effectiveness of the risk management and the internal control system of the Group.

Based on the review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and the internal control of the Group.

This statement is issued in accordance with a resolution of the Board dated 11 April 2017

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 2016.

1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:

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

Mohd Khasan Bin Ahmad
Senior Independent Non-Executive Director

Munawar Kabir Bin Zainal Abidin
Independent Non-Executive Director

2. TERMS OF REFERENCE

The terms of reference of the Committee as approved by the Board are available on the Company website at *www.farmsbest.com.my*

3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2016, which were attended by the Audit Committee members as follows:

Directors	Designation	No. of Meetings Attended	Percentage (%)
Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	100%
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	100%
Munawar Kabir Mohd Bin Zainal Abidin	Independent Non-Executive Director	5/5	100%

The meeting dates where the Audit Committee met during the financial year were 24 February 2016, 29 March 2016, 26 May 2016, 26 August 2016 and 28 November 2016. The Group's external auditors attended all the Audit Committee meetings during the year.

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

4. ACTIVITIES OF THE AUDIT COMMITTEE

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

Financial Reporting

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 prior to submission to Board for approval. The review was to ensure the financial reporting and disclosures requirements are in compliance with:
   - Provisions of the Companies Act, 1965;
   - Listing Requirements of Bursa Malaysia Securities Berhad;
   - Applicable approved accounting standards in Malaysia; and
   - Other legal and regulatory requirements.

In review of the annual audited financial statements, the Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

Internal Audit

a. Reviewed the internal audit plan to ensure adequate scope and comprehensive coverage over the activities of the Group.
b. Reviewed and discussed the internal audit reports which were tabled during the meetings, the audit issues, root causes, potential risks, implications and recommendations made and management's response to the recommendations.
c. Reviewed and discussed the Group Risk Management Policy and also formalizing the formation of Risk Management Committee.
d. Monitoring and ensuring corrective actions have been taken to rectify the weaknesses highlighted and key risks and control lapses have been addressed.
e. Reviewed and assessed the resources, experience, competency and continuous professional development of the outsourced internal audit function for the adequacy. Please refer to the Statement on Risk Management and Internal Control from page 38 to 44 for the oversights of the Audit Committee on the outsourced internal audit function.

External Audit

a. Reviewed and discussed the external auditors' audit planning memorandum, audit strategy and scope for the year.
b. Reviewed annual audited financial statements of the Group and the Company prior to submission to Board for approval.
c. Reviewed and discussed external auditors' observations, the results of the annual audit, their audit report and management letter together with management's response to the findings before recommending to the Board of Directors for approval.
d. Assessed and discussed the performance and effectiveness of the external auditors' including the independence, objectivity and professional skepticism, communication interaction, audit finalization, the quality of skills and capabilities of audit team, sufficiency of resources and terms of engagement. The committee is satisfied with the performance of the external auditors and recommends the audit fee payable for the Board's approval as well as recommending them to be re-appointed at the forthcoming Annual General Meeting of the Company.
e. Met twice during the financial year, on 26 August 2016 and 28 November 2016, with the external auditors without the presence of management to discuss with them problems arising from the audit and to reinforce the independence of the external audit function of the Company and the Group. There were no major issues highlighted by them.

Related Party Transactions

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 and that the transactions were carried out on arm's length basis in line with the Transfer Pricing Guidelines 2012 of Inland Revenue Board.

Others

Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

Updated on the changes in the Main Market Listing Requirements and reviewed the impact of changes in the MMLR. A training on this was conducted by a former partner of KPMG Risk Consulting Sdn Bhd for the AC members during the financial year under review.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent internal audit function is essential to assist in providing the assurance the Audit Committee requires regarding the adequacy and effectiveness of the risk management and internal control systems of the Group. The internal audit function is wholly outsourced to an independent professional firm, NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), which reports directly to the Audit Committee. The Audit Committee acknowledged the advantages of out-sourcing internal audit function to NeedsBridge which includes access to professional skills, knowledge, expertise and ability to cover unexpected staffing needs.

NeedsBridge carries out internal audit with a view to assess the adequacy and effectiveness of the Group's system of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities. The costs incurred for the internal audit function in respect of the financial year ended 31 December 2016 was approximately RM55,000.

The principal role of the internal audit is to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are in place and continue to operate satisfactorily and effectively as functionally intended. It is the responsibility of NeedsBridge to provide the Audit Committee with independent and objective reports on the state of risk management, control and governance of the various operating units within the Company and the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The other main activities performed by NeedsBridge are as follows:

- Proposed internal audit plan for the financial year for the Audit Committee to review;
- Reviewed the pertinent issues of the Group, which had a significant impact on the results of the Group that included the cash flow planning and management; progress billing management; payment and disbursement; debt financing management; internet banking system policy and procedure; feasibility study management; regulatory approval management; sales and marketing strategy management; advertising and promotion management; sales enquiry and processing management; pricing development and management and discount and rebate management for property development division based in Malaysia; and production planning and monitoring; manpower planning and monitoring; shop floor control; in-process and outgoing quality control; safety, health and environment management; formulation development and management; operating assets maintenance and compliance with laws and regulations for feed milling division;
- Undertook special reviews requested by the Audit Committee, such as Goods and Services Tax review for the property development and feed milling division of the Group;
- Reviewed the findings and action plans resulting from internal audits; and
- Reviewed the progress of implementation of the management action plans of the previous internal audit report and reported to the Audit Committee for its review.

During the financial year under review, there were no material control failure that would have resulted in any significant losses to the Group.

Further details of internal audit activities performed by the internal audit function during the financial year under review is set out in the Statement on Risk Management and Internal Control of this Annual Report.

In addition, the oversight of NeedsBridge by the Audit Committee was enhanced with the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/exposure and continuous professional development for the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

Directors' Responsibilities Statement

In accordance with the Companies Act, 1965 in Malaysia ("Act") and under Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a listed issuer is required to issue a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and about the state of risk management and internal control of the listed issuer as a group in the annual report.

The Directors are in the opinion and responsible for the preparation of financial statements that the financial statements set out in this Annual Report 2016 are drawn up in accordance with applicable Malaysian Financial Reporting Standards and the Act so as to give a true and fair view of the states of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The Directors are responsible for the state of risk management and internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors have adopted appropriate accounting policies and applied them consistently, made reasonable and prudent judgments and estimates and prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy and to enable them to comply with the provisions of the Act.

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

The Auditors' Responsibilities are stated in their Independent Auditors' Report to the Members.

Financial Statements

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal Activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year attributable to:		
Owners of the parent	11,936	(26,721)
Non-controlling interests	(21)	-
	11,915	(26,721)

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Warrant Reserves

The Warrants 2013/2018 were constituted under the Deed Poll dated 27 June 2013.

As at 31 December 2016, the total numbers of Warrants that remain unexercised were 27,765,052 (2015: 27,765,052).

Directors

The Directors in office since the date of the last report are:

Datuk Hj. Zainal Bin Hj. Shamsudin
Dato' Fong Kok Yong
Datuk Fong Kiah Yeow
Fong Ngan Teng
Fong Choon Kai
Datuk Ng Peng Hay @ Ng Peng Hong
Mohd Khasan Bin Ahmad
Munawar Kabir Mohd Bin Zainal Abidin

Directors' Interests

The interests and deemed interests in the shares and warrants of the Company and of its related corporations of those who were Directors at financial year end, according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Interests in the Holding Company				
F.C.H. Holdings Sdn. Bhd.				
Direct interest				
Dato' Fong Kok Yong	1,250,000	-	-	1,250,000
Datuk Fong Kiah Yeow	1,250,000	-	-	1,250,000
Fong Ngan Teng	1,250,000	-	-	1,250,000
Fong Choon Kai	1,250,000	-	-	1,250,000
Interests in the Company				
Direct interest				
Datuk Fong Kiah Yeow	108,000	505,200	-	613,200
Indirect interest				
Dato' Fong Kok Yong	21,463,805	-	-	21,463,805
Datuk Fong Kiah Yeow	21,463,805	-	-	21,463,805
Fong Ngan Teng	21,463,805	-	-	21,463,805
Fong Choon Kai	21,463,805	-	-	21,463,805

Directors' Report
(Cont'd)

	No. of Warrants 2013/2018			
	At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Interests in the Company				
Direct interest				
Datuk Fong Kiah Yeow	21,600	-	-	21,600
Interests in the Holding Company				
F.C.H. Holdings Sdn. Bhd.				
Indirect interest				
Dato' Fong Kok Yong	41	-	-	41
Datuk Fong Kiah Yeow	41	-	-	41
Fong Ngan Teng	41	-	-	41
Fong Choon Kai	41	-	-	41

By virtue of their interests in the shares of the company, Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than warrants.

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

(iv) 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.

(c) 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 liability 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.

(d) In the opinion of the Directors:

(i) no contingent liability 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 and of the Company to meet their obligations when they fall due;

(ii) the results of 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, except as disclosed in the notes to the financial statements; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Holding Company

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

Significant Events

The significant events are disclosed in Note 37 to the financial statements.

Subsequent Event

The subsequent event is disclosed in Note 38 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

DATO' FONG KOK YONG

DATUK FONG KIAH YEOW

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 61 to 127 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 41 to the financial statements on page 128 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017

DATO' FONG KOK YONG

DATUK FONG KIAH YEOW

Statutory Declaration

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

I, DATUK FONG KIAH YEOW, being the Director primarily responsible for the financial management of Farm's Best Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 61 to 127 are 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 at Melaka in the State of)
Melaka on 25 April 2017)

DATUK FONG KIAH YEOW

Before me,

NO. M 070 ZALINA BINTI ZAINUDDIN, BKT

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the members of Farm's Best Berhad

Report on the Financial Statement

Opinion

We have audited the financial statements of Farm's Best Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

To the members of Farm's Best Berhad (Cont'd)

Key Audit Matters	How we addressed the key audit matters

Impairment of trade receivables
 	
The carrying amount of the trade receivables amounted to RM164.8 million (2015: RM152.2 million). The Group carries significant receivables as disclosed in Note 13 to the financial statements and subject to a credit risk exposure. The assessment of recoverability of the trade receivables involved judgements and estimation in analysing historical trend in bad payment clients, customer concentration, customer creditworthiness and current economic trends etc.
	Our audit procedures included:-
	
	• Obtaining an understanding of:-
	    • How the Group identifies and assesses the impairment of receivables; and
	    • How the Group makes the accounting estimates for impairment.
	• Reviewing the aging analysis of receivables and testing the reliability thereof.
	• Reviewing subsequent cash collections for major receivables and overdue amounts.
	• Making inquiries of management regarding the action plans to recover overdue amounts.
	• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.
	• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Disposition of subsidiary company On 30 September 2016, Farm's Best Berhad disposed of the entire equity interest in Farm's Best Food Industries Sdn. Bhd. for a cash consideration of RM13,384,099, which had resulted a gain of RM18,217,577. The subsidiary company was previously reported as part of the poultry segment. The disposal is deemed completed on 8 November 2016. All assets and liabilities have to measure at fair value during the financial year.	For this disposals, we obtained and reviewed the key supporting documentation such as Sales and Purchase Agreements and completion statements. The consideration received or paid was tallied to the bank statements. The salient terms in the above mentioned agreements were all met and no material issues were found. From the agreement drafted, we ensured the accounting entry of the disposal is in compliance with the agreed accounting standards and the signed Sales and Purchase Agreement.

Information Other than the financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

Independent Auditors' Report

To the members of Farm's Best Berhad (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor s' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current finance year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Independent Auditors' Report

To the members of Farm's Best Berhad (Cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 41 on page 128 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures 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.

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 03068/08/2018 J
Chartered Accountant

KUALA LUMPUR

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000 Restated	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	54,282	117,632	259	267
Land use rights	5	44	57	-	-
Investment in subsidiary companies	6	-	-	38,651	78,451
Goodwill	7	2,264	2,302	-	-
Deferred tax assets	8	1,380	1,380	-	-
Land held for property development	9	-	782	-	-
		57,970	122,153	38,910	78,718
Current Assets					
Property development costs	10	14,513	16,221	-	-
Biological assets	11	-	10,066	-	-
Inventories	12	14,876	18,371	-	-
Accrued billing in respect of property development costs		1,014	-	-	-
Trade receivables	13	164,807	152,228	-	-
Other receivables	14	12,388	28,459	54	13
Amount due from subsidiary companies	15	-	-	14,658	2,959
Held-to-maturity investments	16	58,716	55,899	-	-
Tax recoverable		1,295	113	-	-
Deposits, cash and bank balances	17	2,566	6,125	10	2
		270,175	287,482	14,722	2,974
Non-current assets held for sale	18	15,696	-	-	-
Total Assets		343,841	409,635	53,632	81,692

Statements of Financial Position

As at 31 December 2016 (Cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY					
Share capital	19	61,083	61,083	61,083	61,083
Share premium	20	62,410	62,410	62,410	62,410
Other reserves	21	3,706	3,706	3,706	3,706
Accumulated losses		(32,553)	(44,489)	(73,737)	(47,016)
Equity attributable to owners of the parent		94,646	82,710	53,462	80,183
Non-controlling interests		1,243	1,306	-	-
Total Equity		95,889	84,016	53,462	80,183
LIABILITIES					
Non-Current Liabilities					
Bank borrowings	22	12,297	61,651	-	-
Finance lease payables	23	1,614	3,162	-	-
Deferred tax liabilities	8	3,988	11,488	-	-
		17,899	76,301	-	-
Current Liabilities					
Trade payables	24	23,474	30,677	-	-
Other payables	25	33,693	31,564	170	200
Amount due to directors	26	359	2,458	-	-
Amount due to subsidiary companies	15	-	-	-	995
Progress billing		-	8,657	-	-
Bank borrowings	22	170,729	173,229	-	-
Finance lease payables	23	1,180	1,837	-	-
Tax payable		618	896	-	314
		230,053	249,318	170	1,509
Total Liabilities		247,952	325,619	170	1,509
Total Equity and Liabilities		343,841	409,635	53,632	81,692

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

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		
Revenue	27	343,696	346,763	-	-
Cost of sales		(306,860)	(322,269)	-	-
Gross profit		36,836	24,494	-	-
Other incomes		43,677	16,698	-	31
Administrative expenses		(53,295)	(23,681)	(27,035)	(504)
Selling and marketing expenses		(5,688)	(12,717)	-	-
Profit/(Loss) from operations		21,530	4,794	(27,035)	(473)
Finance costs	28	(16,559)	(18,449)	-	(103)
Profit/(Loss) before taxation	29	4,971	(13,655)	(27,035)	(576)
Taxation	30	6,944	264	314	-
Profit/(Loss) for the financial year		11,915	(13,391)	(26,721)	(576)
Total comprehensive income for the financial year		11,915	(13,391)	(26,721)	(576)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		11,936	(13,710)	(26,721)	(576)
Non-controlling interests		(21)	319	-	-
		11,915	(13,391)	(26,721)	(576)
Total comprehensive income attributable to:					
Owners of the parent		11,936	(13,710)	(26,721)	(576)
Non-controlling interests		(21)	319	-	-
		11,915	(13,391)	(26,721)	(576)
Earnings/(Losses) per share attributable to the owners of the parent (sen)					
Basic/ Diluted	31	19.5	(22.4)		

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

	← Attributable to Owners of the Parent →						
	← Non-distributable →						
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group							
At 1 January 2015							
As previously stated	61,083	62,410	3,706	(32,052)	95,147	5,505	100,652
Prior year adjustment	-	-	-	1,273	1,273	-	1,273
At 1 January 2015 (restated)	61,083	62,410	3,706	(30,779)	96,420	5,505	101,925
Capital reduction in subsidiary company	-	-	-	-	-	(4,518)	(4,518)
Total comprehensive income for the financial year	-	-	-	(13,710)	(13,710)	319	(13,391)
At 31 December 2015	61,083	62,410	3,706	(44,489)	82,710	1,306	84,016
At 1 January 2016	61,083	62,410	3,706	(44,489)	82,710	1,306	84,016
Total comprehensive income for the financial year	-	-	-	11,936	11,936	(21)	11,915
Dividend paid to non-controlling interests	-	-	-	-	-	(42)	(42)
At 31 December 2016	61,083	62,410	3,706	(32,553)	94,646	1,243	95,889

Statements of Changes in Equity

For the financial year ended 31 December 2016 (Cont'd)

	Attributable to Owners of the Parent				
	Non-distributable				
	Share Capital RM'000	Share Premium RM'000	Other Reserve RM'000	Accumulated Losses RM	Total RM
Company					
At 1 January 2015	61,083	62,410	3,706	(46,440)	80,759
Total comprehensive income for the financial year	-	-	-	(576)	(576)
At 31 December 2015	61,083	62,410	3,706	(47,016)	80,183
At 1 January 2016	61,083	62,410	3,706	(47,016)	80,183
Total comprehensive income for the financial year	-	-	-	(26,721)	(26,721)
At 31 December 2016	61,083	62,410	3,706	(73,737)	53,462

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

Statements of Cash Flows

For the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	4,971	(13,655)	(27,035)	(576)
Adjustments for:				
Amortisation of land use rights	13	4	-	-
Bad debts written off				
- Trade	11	630	-	-
- Non-trade	4	248	-	-
Bad debts recovered	-	(6)	-	-
Deposit written off	64	27	-	-
Depreciation of property, plant and equipment	6,425	9,810	8	8
Goodwill written off	38	-	-	-
Impairment losses on :				
- Trade receivables	22,608	3,869	-	-
Interest expense	16,559	18,449	-	103
Interest income	(1,756)	(1,892)	-	-
Loss on foreign exchange:				
- Realised	4	395	-	-
- Unrealised	76	34	-	-
Gain on disposal of property, plant and equipment	(382)	(14,637)	-	-
(Gain)/Loss on disposal of investment in subsidiaries	(18,220)	(2,144)	26,416	-
Property, plant and equipment written off	-	6,188	-	-
Reversal of impairment on:				
- Trade receivables	(2,272)	(977)	-	-
	28,143	6,343	(611)	(465)
Changes in working capital				
Property Development Costs	1,708	7,871	-	-
Land held for property development	782	-	-	-
Biological assets	10,066	(778)	-	-
Inventories	10,302	(338)	-	-
Accrued billing in respect of property development costs	(9,671)	3,293	-	-
Trade receivables	(13,328)	5,972	-	-
Other receivables	17,525	(26,581)	(41)	1
Trade payables	(50,163)	4,093	-	-
Other payables	(1,748)	9,099	(30)	5
Amount due to directors	(2,099)	2,457	-	-
Amount due (to)/from subsidiary	-	-	(12,694)	2,662
	(36,626)	5,088	(12,765)	2,668
Cash (used in)/from operations	(8,483)	11,431	(13,376)	2,203

Statements of Cash Flows

For the financial year ended 31 December 2016 (Cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Interest received		1,756	1,892	-	-
Interest paid		(16,559)	(18,449)	-	(103)
Tax (paid)/refund		(1,368)	(1,897)	-	314
		(16,171)	(18,454)	-	211
Net cash (used in)/from operating activities		(24,654)	(7,023)	(13,376)	2,414
Cash Flows From Investing Activities					
Proceeds from disposal of property, plant and equipment		602	28,486	-	-
Increased in held-to-maturity investments		(2,817)	(2,201)	-	-
Net cash inflows from disposal of a subsidiary company	6(b)	12,320	-	13,384	-
		10,105	26,285	13,384	-
Purchase of property, plant and equipment	4(d)	(2,719)	(6,797)	-	-
Net cash from investing activities		7,386	19,488	13,384	-
Cash Flows From Financing Activities					
Movement of short term borrowings		83,002	-	-	-
Payment to non-controlling interest		(42)	-	-	-
Repayment of term loans		(69,042)	(5,169)	-	(100)
Repayment of hire purchase payables		(2,487)	(2,050)	-	-
Net cash from/(used in) financing activities		11,431	(7,219)	-	(100)
Net (decrease)/ increase in cash and cash equivalents		(5,837)	5,246	8	2,314
Cash and cash equivalents at the beginning of the financial year		(7,959)	(13,205)	2	(2,312)
Cash and cash equivalents at the end of the financial year		(13,796)	(7,959)	10	2
Cash and cash equivalents at the end of the financial year comprises:					
Deposits, cash and bank balances		2,566	6,125	10	2
Bank overdrafts		(16,362)	(14,084)	-	-
		(13,796)	(7,959)	10	2

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

Notes to 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 the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at AG 5730, Alor Gajah Industrial Estate, 78000 Alor Gajah, Melaka.

The registered office of the Company is located at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46. 47301 Petaling Jaya, Selangor.

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities during the financial year.

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

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 11	Accounting for Acquisitions of Interested in Joint Operations
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012-2014 Cycle	

Adoption of above amendments to FRSs did not have any significant impact on the financial statements of the Group and the Company.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new FRSs and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
Amendment to FRS 107	Disclosure Initiative	1 January 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle:		
Amendments to FRS 12		1 January 2017
Amendments to FRS 1		1 January 2018
Amendments to FRS128		1 January 2018
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 2	Classification and measurement of Share-based payment Transactions	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018
Amendments to FRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in FRS 4, paragraph 20B, may choose to defer the application of FRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above FRSs when they become effective.

The initial application of the abovementioned FRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

FRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of FRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. FRS 9 when effective will replace FRS 139 *Financial Instruments: Recognition and Measurement.*

FRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. FRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 139.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

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

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company have not completed its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Framework. Accordingly, the consolidated and separate financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2016 could be different if prepared under the MFRS Framework.

2. Basis of Preparation (Cont'd)

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand except when otherwise stated.

(c) Going concern

During the current financial year, the Group and the Company reported accumulated losses of approximately RM32,553,000 (2015: RM44,489,000) and RM73,737,000 (2015: RM47,016,000) respectively. The ability of the Group and the Company 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 and the Company being able to achieve future profitable operations and generate sufficient cash flows to meet the liabilities of the Group and the Company as and when they fall due. The financial statements of the Group and the Company 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 and the Company be unable to continue as going concern.

(d) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, 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.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment</u> (Note 4)

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2016, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

<u>Impairment of goodwill on consolidation</u>

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 to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash- generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 7.

2. Basis of Preparation (Cont'd)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 6.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement 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 carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 12.

Property development

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of the Group's property development costs at the reporting date is disclosed in Note 10.

2. Basis of Preparation (Cont'd)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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 amounts at the reporting date for loans and receivables are disclosed in Notes 13,14 and 15.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 35(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by- acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non- controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

<u>Foreign currency transactions and balances</u>

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 3(o).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self- constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining lease
Buildings	50 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 10 years
Other assets	5 to 10 years
Spare parts	10 to 20 years

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

(d) 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.

(e) Leases

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

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

3. Significant Accounting Policies (Cont'd)

(e) Leases (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

As lessor

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

(f) Property development activities

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(g) Land Held for Property Development

Land held for property development consists of cost of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and carried at cost less accumulated impairment losses, if any.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Land held for property development is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(h) Biological assets

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

(i) Financial assets

Financial assets are recognised on 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.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current assets.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

3. Significant Accounting Policies (Cont'd)

(i) Financial assets (Cont'd)

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 or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(j) Financial liabilities

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

Financial liabilities are recognised on 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.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities measured at amortised cost

The Group's and the Company's financial liabilities comprise trade and other payables and loans and borrowings.

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.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. Significant Accounting Policies (Cont'd)

(j) Financial liabilities (Cont'd)

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

(k) Offsetting of financial instruments

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

(l) Inventories

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

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

(ii) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity but excluding borrowing costs.

(iii) Property inventories: cost of unsold properties comprises cost associated with the acquisition of land, construction and appropriate development overheads.

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

(m) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

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

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. Significant Accounting Policies (Cont'd)

(m) Construction contracts (Cont'd)

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the reporting period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to contract customers.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short term deposits with a maturity of three months or less 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 of the Group's cash management.

(o) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, accrued billing and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash- generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

3. Significant Accounting Policies (Cont'd)

(o) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, associates and joint ventures, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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'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 defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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 in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)

(o) Impairment of assets (Cont'd)

(ii) Financial assets

<u>Available-for-sale financial assets</u>

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. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline in the fair value of an available- for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, 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.

(p) Share capital

<u>Ordinary shares</u>

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 nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(q) Provisions

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

Provisions are reviewed at each end of the reporting period 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

3. Significant Accounting Policies (Cont'd)

(r) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(s) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Sale of development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total property development costs.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) 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.

3. Significant Accounting Policies (Cont'd)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(u) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3. Significant Accounting Policies (Cont'd)

(v) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(x) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary company acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

4. Property, Plant and Equipment

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Spare parts RM'000	Total RM'000
Group								
Cost								
At 1 January 2016	20,115	3,666	85,825	119,343	21,246	11,254	2,817	264,266
Additions	-	-	1,500	398	984	74	45	3,001
Disposals	-	-	-	-	(1,481)	(4)	-	(1,485)
Transfer to non-current assets held for sale	(3,567)	-	(29,355)	(22,781)	-	(4,182)	-	(59,885)
Written off	-	-	-	-	-	(8)	-	(8)
Disposal of subsidiary	-	(1,943)	(13,204)	(69,226)	(8,776)	(2,671)	(2,049)	(97,869)
At 31 December 2016	16,548	1,723	44,766	27,734	11,973	4,463	813	108,020
Accumulated depreciation								
At 1 January 2016								
As previously stated	-	883	40,897	81,761	15,465	9,773	-	148,779
Prior year adjustment	-	-	(1,565)	(579)	-	-	-	(2,144)
At 1 January 2016 (restated)	-	883	39,332	81,182	15,465	9,773	-	146,635
Charge for the financial year	-	938	1,648	2,075	1,515	157	92	6,425
Disposals	-	-	-	-	(1,262)	(3)	-	(1,265)
Transfer to non-current assets held for sale	-	-	(20,306)	(20,528)	-	(3,355)	-	(44,189)
Written off	-	-	-	-	-	(8)	-	(8)
Disposal of subsidiary	-	(506)	(5,960)	(38,467)	(6,262)	(2,573)	(92)	(53,860)
At 31 December 2016	-	1,315	14,714	24,262	9,456	3,991	-	53,738
Carrying amount								
At 31 December 2016	16,548	408	30,052	3,472	2,517	472	813	54,282

4. Property, Plant and Equipment (Cont'd)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Spare parts RM'000	Total RM'000
Group								
Cost								
At 1 January 2015	24,711	3,666	89,631	149,782	21,391	12,325	-	301,506
Additions	-	-	2,965	716	1,982	56	2,817	8,536
Disposals	(4,596)	-	(7,126)	(9,332)	(2,029)	(87)	-	(23,170)
Written off	-	-	-	(21,823)	(98)	(1,040)	-	(22,961)
Reclassification	-	-	355	-	-	-	-	355
At 31 December 2015	20,115	3,666	85,825	119,343	21,246	11,254	2,817	264,266
Accumulated depreciation								
At 1 January 2015	-	851	41,741	96,359	15,490	10,528	-	164,969
Charge for the financial year	-	32	3,546	4,111	1,833	288	-	9,810
Disposals	-	-	(4,483)	(3,005)	(1,746)	(87)	-	(9,321)
Disposal of subsidiaries								
As previously stated	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	(1,565)	(579)	-	-	-	(2,144)
	-	-	(1,565)	(579)	-	-	-	(2,144)
Written off	-	-	-	(15,704)	(112)	(957)	-	(16,773)
Reclassification	-	-	93	-	-	-	-	93
At 31 December 2015	-	883	39,332	81,182	15,465	9,772	-	146,634
Carrying amount								
At 31 December 2015	20,115	2,783	46,493	38,161	5,781	1,482	2,817	117,632

4. Property, Plant and Equipment (Cont'd)

	Buildings RM'000	Office equipment RM'000	Total RM'000
Company			
Cost			
At 1 January 2016 / 31 December 2016	410	246	656
Accumulated depreciation			
At 1 January 2016	143	246	389
Charge for the financial year	8	-	8
At 31 December 2016	151	246	397
Carrying amount			
At 31 December 2016	259	-	259
Cost			
At 1 January 2015 / 31 December 2015	410	246	656
Accumulated depreciation			
At 1 January 2015	135	246	381
Charge for the financial year	8	-	8
At 31 December 2015	143	246	389
Carrying amount			
At 31 December 2015	267	-	267

(a) Other assets consist of furniture, fixtures and fittings, office equipment, piping, fencing and tube well, renovations and improvements and capital work-in- progress.

(b) Assets pledged as securities to financial institutions

The carrying amounts of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 22 to the financial statements are:

	Group 2016 RM'000	Group 2015 RM'000
Land and buildings	41,982	50,570
Plant and machinery	2,020	2,424
Other assets	962	771
	44,964	53,765

4. Property, Plant and Equipment (Cont'd)

(c) Assets held under financial leases

The net carrying amount of leased plant and machinery of the Group is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Motor vehicles	2,389	5,355
Plant and machinery	-	359
	2,389	5,714

(d) The aggregate additional cost for the property, plant and equipment of the Group during the financial year acquired under finance lease arrangement, term loan financing and cash payment are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Aggregate costs	3,001	8,536
Less : Hire purchase financing	(282)	(1,739)
Cash payments	2,719	6,797

(e) Certain motor vehicles with carrying amount of RM407,987 (2015:RM635,967) are registered in the name of related companies of which the directors have financial interests and a third party and are held in trust for the Company.

5. Land Use Rights

	Group	
	2016	2015
	RM'000	RM'000
Cost		
At 1 January	122	122
Disposal of subsidiary	-	-
At 31 December	122	122
Accumulated amortisation		
At 1 January	65	61
Amortisation for the financial year	13	4
At 31 December	78	65
Carrying amount		
At 31 December	44	57

Land use rights have been pledged to secure the bank borrowings as disclosed in Note 22.

6. Investment in Subsidiary Companies

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost In Malaysia		
At 1 January	116,589	116,589
Disposal during the year	(50,200)	-
At 31 December	66,389	116,589
Accumulated impairment losses		
At 1 January	38,138	38,138
Reversal of impairment losses	(10,400)	-
At 31 December	27,738	38,138
	38,651	78,451

The reversal of impairment loss was recognised in administrative expenses in the statements of profit or loss and other comprehensive income.

6. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Held by the Company				
Sinmah Livestocks Sdn.Bhd.	Malaysia	100	100	Contract farming and trading of chicken feeds, day old chicks and vaccines
Sinmah Multifeed Sdn. Bhd.	Malaysia	99.99	99.99	Manufacturing and wholesale of chicken feeds
Sinmah Land Services Sdn. Bhd. (f.k.a Sinmah Egg Products Sdn. Bhd.)	Malaysia	100	100	Investment holding
Farm's Best Food Industries Sdn. Bhd.	Malaysia	-	100	Poultry processing, contract farming, marketing and distribution of poultry products
Sinmah Development Sdn. Bhd.	Malaysia	100	100	Property development
Sinmah Breeders Sdn. Bhd.	Malaysia	100	100	Poultry breeding and hatchery operations
Held by Sinmah Livestocks Sdn. Bhd.				
Joint Farming Sdn. Bhd.	Malaysia	58.91	58.91	Dormant
Bersatu Segar Sdn. Bhd.	Malaysia	100	100	Trading of feeds, medication and poultry farming
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	100	100	Dormant
Chem Ventures Sdn. Bhd.	Malaysia	100	100	Trading of chemicals, medication and related equipment
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	51	51	Trading of feeds, medication and poultry farming
SM Broilers Sdn. Bhd.	Malaysia	100	-	Contract farming, marketing and distribution of poultry products
Held by Joint Farming Sdn. Bhd.				
Joint Food Proccessing Sdn. Bhd.	Malaysia	60	60	Dormant
Held by Syarikat Perniagaan Suann Sdn. Bhd.				
Suann Food Processors Sdn. Bhd.	Malaysia	100	100	Poultry meat processing

6. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Held by Sinmah Land Services Sdn. Bhd. (f.k.a Sinmah Egg Products Sdn. Bhd.)				
Sinmah Project Management Sdn. Bhd. (f.k.a Sinmah Poultry Farm Sdn. Bhd.)	Malaysia	100	100	Poultry farming and investment holding
Held by Farm's Best Food Industries Sdn. Bhd.				
SM Broilers Sdn. Bhd.	Malaysia	-	100	Contract farming, marketing and distribution of poultry products
Held by Sinmah Development Sdn. Bhd.				
Realtemas Realty Sdn. Bhd.	Malaysia	100	100	Property development
Cosmal Enterprise Sdn. Bhd.	Malaysia	100	100	Dormant
Sinmah Builders Sdn. Bhd.	Malaysia	100	100	Building and general contracting and provision of management services

(a) Non-controlling interests

The summarised financial information on subsidiary companies with material non-controlling interests ("NCI") is as follows:

Name of company	Proportion of ownership interests and voting rights held by NCI 2016 %	2015 %	Profit/(Loss) allocated to NCI 2016 RM'000	2015 RM'000	Accumulated NCI 2016 RM'000	2015 RM'000
Syarikat Perniagaan Suann Sdn. Bhd.	49.00	49.00	50	384	1,243	1,293
Joint Farming Sdn. Bhd.	41.09	41.09	(5)	(87)	-	13
Total NCI					1,243	1,306

The summarised financial information for each subsidiary that has NCI that are material to the Group is set out below. The summarised financial information below represents amount before inter-company eliminations.

6. Investment in Subsidiary Companies (Cont'd)

(a) Non-controlling interests (Cont'd)

	Syarikat Perniagaan Suann Sdn. Bhd.		Joint Farming Sdn. Bhd.	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total assets	6,306	5,180	12	2,423
Total liabilities	(13,211)	(12,413)	(3)	(2,306)
Net (liabilities)/assets	(6,905)	(7,233)	9	117
Equity attributable to owners of the parent	(8,148)	(7,542)	9	(4,447)
Non-controlling interests	1,243	309	-	4,564
	(6,905)	(7,233)	9	117
Revenue	26,670	30,872	-	-
Profit/(Loss) before taxation	333	138	(2)	(186)
Taxation	(6)	-	(2)	(5)
Net profit/(loss) for the financial year	327	138	(4)	(191)
Other comprehensive income	-	-	-	-
Total comprehensive income	327	138	(4)	(191)
Net cash generated from operating activities	40	4	58	984
Net cash generated from investing activities	9	23	-	-
Net cash generated used in financing activities	(43)	(40)	(103)	(2,218)
Net increase/(decrease) in cash and cash equivalents	6	(13)	(45)	(1,234)

6. Investment in Subsidiary Companies (Cont'd)

(b) Disposal of a subsidiary company

On 30 September 2016, Farm's Best Berhad disposed of the entire equity interest in Farm Best Food Industries Sdn. Bhd. for a cash consideration of RM13,384,099, which had resulted a gain of RM18,217,577. The subsidiary company was previously reported as part of the poultry segment.

The effect of the disposal of Farm's Best Industries Sdn. Bhd. on the financial position of the Group as at the date of disposal was as follows:

	Group 2016 RM'000
Property, plant and equipment	44,012
Inventories	6,807
Trade receivables	19,598
Other receivables	1,522
Cash and bank balances	1,064
Trade payables	(42,880)
Other payables	(3,877)
Lease payables	(1,082)
Bank borrowings	(29,998)
Net liabilities disposed off	(4,834)
Less: Non-controlling interests	-
	(4,834)
Gain on disposal of investment in subsidiary company	18,218
Disposal proceeds settled by cash	13,384
Less: Cash and cash equivalents of subsidiary company disposed	(1,064)
Net cash inflow from disposal of investment in subsidiary company	12,320

There was no disposal in the previous financial year.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. Goodwill

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January / 31 December	19,660	19,660
Accumulated impairment losses		
At 1 January	17,358	17,358
Written off during the year	38	-
At 31 December	17,396	17,358
Carrying amount		
At 31 December	2,264	2,302

Goodwill acquired through business combinations has been allocated to the following CGUs as follows:

	Group 2016 RM'000	Group 2015 RM'000
Poultry Division		
Sinmah Breeders Sdn. Bhd.	-	38
Housing Development		
Sinmah Development Sdn. Bhd.	2,264	2,264
Net carrying amount	2,264	2,302

Impairment testing of goodwill

The recoverable amount of each CGU is determined based on value-in-use calculations using cash flow projections of financial budgets approved by senior management covering a 5-year period. The forecast growth rates used to extrapolate cash flows for the five year period and pre-tax discount rated applied to the cash flow projections are as follows:

	Poultry Division		Housing Division	
	2016	2015	2016	2015
Growth rate	-	5%	-	-
Budgeted gross margins	3%	10%	17%	11%
Pre-tax discount rate	10%	10%	10%	10%

7. Goodwill (Cont'd)

Impairment testing of goodwill (Cont'd)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – As a matter of prudence, the Group did not apply any forecast growth rates in extrapolating future cash flows of the CGUs.

Budgeted gross margins – Gross margins are based on average values achieved in the immediate year preceding the start of the budget period. No increase in gross margins are anticipated over the budgeted period.

The discount rate reflects the specific risks relating to the respective CGUs.

Market share assumptions. - Management assesses how the CGU's position relative to its competitors might change over the budget period. Management expects the Group's share of the poultry and property market, on which the Group's products are depended upon, to be stable over the budget period.

Management believes that any reasonably possible change in the key consumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the CGU.

8. Deferred Tax (Assets)/Liabilities

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	10,108	12,013
Recognised in profit or loss	(7,500)	(1,905)
At 31 December	2,608	10,108

The deferred tax assets and liabilities shown on the statement of financial position before the appropriate offsetting are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Deferred tax assets	(2,300)	(2,903)
Deferred tax liabilities	4,908	13,011
	2,608	10,108

8. Deferred Tax (Assets)/Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:

	Property, plant and equipment RM'000	Unutilised tax losses and capital allowance RM'000	Unabsorbed reinvestment allowance RM'000	Total RM'000
At 1 January 2016	13,011	(2,145)	(758)	10,108
Recognised in profit and loss	(8,103)	603	-	(7,500)
At 31 December 2016	4,908	(1,542)	(758)	2,608
At 1 January 2015	16,959	(4,049)	(897)	12,013
Recognised in profit and loss	(3,948)	1,904	139	(1,905)
At 31 December 2015	13,011	(2,145)	(758)	10,108

Deferred tax assets have not been recognised in respect of the following temporary difference due to uncertainty of its recoverability:

	Group 2016 RM'000	Group 2015 RM'000
Unutilised tax losses and capital allowances	53,112	58,356
Unabsorbed reinvestment allowances	1,930	4,407
	55,042	62,763

9. Land Held for Property Development

	Freehold Land RM'000	Leasehold Land RM'000	Total RM'000
Group			
At cost			
At 1 January 2015/ 31 December 2015	782	-	782
At 1 January 2016/ 31 December 2016	782	-	782
Transfer to property developmet cost	(782)	-	(782)
At 31 December 2016	-	-	-

10. Property Development Costs

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
2016				
Cumulative property development costs				
At 1 January	222	4,137	115,369	119,728
Transfer to inventories	-	(78)	(1,339)	(1,417)
Cost incurred during the year	782	-	30,312	31,094
Reversal of completed projects	-	(2,562)	(35,806)	(38,368)
At 31 December	1,004	1,497	108,536	111,037
Cumulative costs recognised in profit or loss				
At 1 January	-	(2,646)	(100,861)	(103,507)
Recognised during the year	-	(138)	(31,247)	(31,385)
Reversal of completed projects	-	2,562	35,806	38,368
At 31 December	-	(222)	(96,302)	(96,524)
Property development costs as at 31 December 2016	1,004	1,275	12,234	14,513
2015				
Cumulative property development costs				
At 1 January	222	6,368	55,955	62,545
Transfer to inventories	-	(466)	(5,917)	(6,383)
Cost incurred during the year	-	-	84,857	84,857
Reversal of completed projects	-	(1,765)	(19,526)	(21,291)
At 31 December	222	4,137	115,369	119,728
Cumulative costs recognised in profit or loss				
At 1 January	-	(3,832)	(37,361)	(41,193)
Recognised during the year	-	(579)	(83,026)	(83,605)
Reversal of completed projects	-	1,765	19,526	21,291
At 31 December	-	(2,646)	(100,861)	(103,507)
Property development costs as at 31 December 2015	222	1,491	14,508	16,221

The freehold and leasehold land have been pledged to secure bank borrowings as disclosed in Note 21.

11. Biological Assets

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Hatching eggs	-	1,897
At cost less amortisation		
Layers	-	-
Breeders	-	8,169
	-	10,066

12. Inventories

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Raw materials, medical supplies and chemicals	3,620	2,775
Processed chickens	415	1,347
Consumable supplies	306	2,501
Completed houses and shops	9,935	8,518
Ingredient stocks and others	600	3,230
	14,876	18,371
Recognised in profit or loss:		
- Inventories recognised at cost of sales	289,750	315,386

13. Trade Receivables

	Group 2016 RM'000	Group 2015 RM'000
Trade receivables	213,896	180,970
Less: Accumulated impairment losses	(49,089)	(28,742)
At 31 December	164,807	152,228

Trade receivables are non-interest bearing and are generally on 30 to 120 (2015: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. Trade Receivables (Cont'd)

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	28,742	26,480
Impairment losses recognised	22,608	3,869
Impairment losses reversed	(2,272)	(977)
Amount written off	11	(630)
At 31 December	49,089	28,742

Analysis of the trade receivables ageing at the end of the financial year is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired		
Past due not impaired:	78,206	63,922
Less than 30 days	46,725	30,979
31 to 60 days	12,982	24,275
More than 60 days	26,894	33,052
	86,601	88,306
	164,807	152,228
Impaired	49,089	28,742
	213,896	180,970

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2016, trade receivables of approximately RM86,601,000 (2015: RM88,306,000) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to approximately RM49,089,000 (2015: RM28,742,000), related to customers that are in financial difficulties, have defaulted on payments and / or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

14. Other Receivables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other receivable	9,562	26,105	54	-
Prepayments	2,340	884	-	13
Refundable deposits	1,946	2,926	-	-
	13,848	29,915	54	13
Less: Accumulated impairment losses	(1,460)	(1,456)	-	-
	12,388	28,459	54	13

Movement in the allowance for impairment losses of other receivable are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,456	1,208	-	-
Amount written off	4	248	-	-
At 31 December	1,460	1,456	-	-

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

15. Amount Due from/(to) Subsidiary Companies

Amount due from/(to) subsidiary companies with non-interest bearing, unsecured and repayable on demand.

16. Held-to-Maturity Investments

Held-to-maturity investments consist of deposits with licensed financial institutions with maturity period of more than three months are as follows:

	Group	
	2016 RM'000	2015 RM'000
Deposits with licensed financial institution	58,716	55,899

The weighted average effective interest rates of held-to-maturity investments are ranging from 3.04% to 3.15% (2015: 3.04% to 3.15%). The maturity period of held-to-maturity investments is 365 days (2015: 365 days).

Deposits of with licensed institutions are pledged to secure banking facilities granted to the Group as disclosed in Note 22.

17. Deposits, Cash and Bank Balances

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	2,566	6,125	10	2

Included in cash and bank balances of the Group is an amount of RM1,175,681 (2015: RM2,402,505) held under Housing Development Accounts pursuant to Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

18. Non-current Assets Held For Sale

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Transfer from property, plant and equipment (Note 4)	15,696	-
At 31 December	15,696	-

Land and farm in poultry segment are expected to be recovered primarily through sale rather than through continuing use is classified as held for sale.

19. Share Capital

	Group / Company			
	Number of shares		Amount	
	2016	2015	2016	2015
	Unit '000	Unit '000	RM'000	RM'000
Ordinary shares of RM1.00 each				
Authorised:				
At 1 January / 31 December	500,000	500,000	500,000	500,000
Issued and fully paid shares:				
At 1 January / 31 December	61,083	61,083	61,083	61,083

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

20. Share Premium

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium net of share listing expenses:

	Group/ Company	
	2016	2015
	RM'000	RM'000
Non-distributable		
At 1 January / 31 December	62,410	62,410

21. Other Reserves

Warrant reserve

Warrant reserve represents reserve allocated to free detachable warrants issued with existing and new issue of Company's shares.

In the financial year 2013, the Company

(i) issued 11,106,052 free warrants on the basis of one (1) free warrant for every five (5) existing ordinary shares of RM1.00 each in the Company.

(ii) issued 5,553,000 ordinary shares of RM1.00 each in the Company by way of a private placement together with 16,659,000 free detachable warrants on the basis of three (3) warrants for every one (1) placement share issued.

21. Other Reserves (Cont'd)

Warrant reserve (Cont'd)

Each Warrant entitles the registered holder to subscribe for one new ordinary shares of RM1.00 each in the Company at an exercise price of RM1.00 per ordinary share subject to adjustments in accordance with the provisions of the Deed Poll. The Warrants may be exercised at any time within 5 years commencing on and including the date of first issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. All Warrants mature on 14 July 2018.

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

As at 31 December 2016, the total number of Warrants that remain unexercised was 27,765,052 (2015: 27,765,052).

22. Bank Borrowings

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Secured				
Bank overdrafts	16,362	14,084	-	-
Banker's acceptance	30,042	34,827	-	-
Revolving credits	116,623	96,928	-	-
Term loans	19,999	89,041	-	-
	183,026	234,880	-	-
Current				
Bank overdrafts	16,362	14,084	-	-
Banker's acceptance	30,042	34,827	-	-
Revolving credits	116,623	96,928	-	-
Term loans	7,702	27,390	-	-
	170,729	173,229	-	-
Non-current				
Term loans	12,297	61,651	-	-
Total bank borrowings	183,026	234,880	-	-

22. Bank Borrowings (Cont'd)

The bank overdrafts, banker's acceptance, revolving credits and term loans are secured by the following:

(i) Fixed and floating charges over certain assets and also negative pledges over the assets of the Group. The borrowings of the subsidiaries are additionally guaranteed by the Company;

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

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

(iv) 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; and

(v) Certain fixed deposits of the Group as disclosed in Note 16 to the financial statements.

The average effective interest rates per annum are as follows:

	2016	2015	2016	2015
	%	%	%	%
Bank overdrafts	9.40	9.40	-	-
Banker's acceptance	5.10	5.10	-	-
Revolving credits	8.35	8.35	-	-
Term loans	8.33	8.33	-	-

23. Finance Lease Payables

	Group	
	2016	2015
	RM'000	RM'000
Minimum lease payments:		
Within one year	1,955	2,090
Later than one year and not later than five years	1,063	3,356
Later than five years	-	44
	3,018	5,490
Less: Future finance charges	(224)	(491)
Present value of minimum lease payments	2,794	4,999

23. Finance Lease Payables (Cont'd)

	Group	
	2016	2015
	RM'000	RM'000
Present value of minimum lease payments:		
Within one year	1,180	1,837
Later than one year and not later than five years	1,614	3,162
	2,794	4,999
Analysed as:		
Repayable within twelve months	1,180	1,837
Repayable after twelve months	1,614	3,162
	2,794	4,999

The finance lease payables interest rates ranges from 2.40% to 4.75% (2015: 2.40% to 4.75%) per annum.

24. Trade Payables

	Group	
	2016	2015
	RM'000	RM'000
Trade payables	23,474	30,677

Credit terms of trade payables of the Group and of the Company ranged from 30 to 90 days (2015: 30 to 90 days) depending on the terms of the contracts.

25. Other Payables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other payables	9,945	23,096	34	67
Deposit received	18,490	-	-	-
Accruals	5,258	8,468	136	133
	33,693	31,564	170	200

Deposit received from the disposal of farms and lands as disclosed in Note 37 (b).

26. Amount Due to Directors

Amount due to directors are non-interest bearing, unsecured and repayable on demand.

27. Revenue

	Group	
	2016	2015
	RM'000	RM'000
Sales of goods	319,060	335,633
Sales of completed houses and development revenue	24,636	11,130
	343,696	346,763

28. Finance Costs

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
Bank overdrafts	960	1,624	-	101
Banker's acceptance	1,982	2,260	-	-
Term loans	5,189	6,996	-	2
Obligations under finance leases	357	341	-	-
Revolving credits	8,071	6,819	-	-
Trust receipts	-	409	-	-
	16,559	18,449	-	103

29. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration				
- current year	205	189	16	15
- overprovision in prior year	(11)	(8)	-	-
Bad debts recovered	-	(6)	-	-
Bad debts written off on:				
- trade receivables	11	630	-	-
- other receivables	4	248	-	-
Goodwill written off	38	-	-	-
Impairment losses on:				
- trade receivables	22,608	3,869	-	-
Director remuneration	2,912	2,932	-	-
Deposit written off	64	27	-	-
Depreciation / amortisation:				
- property, plant and equipment	6,425	9,810	8	8
- land use rights	13	4	-	-
(Gain)/Loss on disposal of :				
- property, plant and equipment	(382)	(16,781)	-	-
- subsidiary companies	(18,220)	(2,144)	26,416	-
- inventories	(10,177)	-	-	-
Loss on foreign exchange:				
- realised	4	395	-	-
- unrealised	76	34	-	-
Rental expenses				
- office	8	43	-	-
- motor vehicles	-	248	-	-
Non-executive director remuneration	129	107	120	107
Property, plant and equipment written off	-	6,188	-	-
Reversal of impairment losses of:				
- trade receivables	(2,272)	(977)	-	-
Rental income	(320)	(75)	-	-
Interest income	(1,756)	(1,892)	-	-

30. Taxation

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax expenses recognised in profit or loss				
Current year provision:				
- Malaysian income tax	1,235	1,658	-	-
- Overprovision in prior year	(679)	(17)	(314)	-
	556	1,641	(314)	-
Deferred tax (Note 8) :				
Origination and reversal of temporary differences	20	(354)	-	-
Changes in tax rate	(20)	-	-	-
Overprovision in prior year	(7,500)	(1,551)	-	-
	(7,500)	(1,905)	-	-
	(6,944)	(264)	(314)	-

Malaysian income tax is calculated at the statutory rate of 24% (2015: 25%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation	4,971	(13,655)	(27,035)	(576)
Taxation at statutory tax rate of 24% (2015: 25%)	1,192	(3,400)	(6,488)	(144)
Reduction in tax rate	(20)	-	-	-
Income not subject to tax	(1,399)	-	-	-
Expenses not deductible for tax purposes	3,947	13,832	6,488	59
Deferred tax assets not recognised	(1,853)	-	-	-
Utilisation of previously unrecognised tax allowance	(257)	(9,128)	-	-
Utilisation of prior year unabsorbed business loss	(375)	-	-	85
Overprovision in prior year				
- current tax	(679)	(17)	(314)	-
- deferred tax	(7,500)	(1,551)	-	-
Tax expenses for the financial year	(6,944)	(264)	(314)	-

As at 31 December 2016, the Group and the Company have unutilised tax losses and unabsorbed capital allowances of approximately RM33,733,000 (2015:RM58,356,000) and RM3,411,000 (2015:RM4,407,000) respectively available to offset against future taxable profit. The said amounts are subject to approval by tax authorities.

31. Earnings Per Share

The basic earnings per share are calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2016	**2015**
Profit/(Loss) attributable to owners of the parent (RM'000)	11,936	(13,710)
Weighted average number of ordinary shares in issue (in thousands of shares)	61,083	61,083
Basic earnings/(losses) per ordinary share (in sen)	19.5	(22.4)

The Group has no dilution in its earnings/(losses) per ordinary shares as warrants as disclosed in Note 20. There are no dilutive potential shares are anti-dilutive and is therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings/(losses) per ordinary shares.

32. Staff Costs

	Group	
	2016	**2015**
	RM'000	**RM'000**
Salaries, wages and other emoluments	14,058	23,698
Defined contribution plan	1,699	2,250
Other benefits	2,247	3,665
	18,004	29,613

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Executive Directors		
Existing Directors of the Company		
Salary and other emoluments	2,486	2,502
Defined contribution plans	287	287
Estimated money value of benefit-in-kind	-	4
	2,773	2,793

32. Staff Costs (Cont'd)

	Group 2016 RM'000	Group 2015 RM'000
Executive Directors		
Existing Directors of subsidiary companies		
Salary and other emoluments	124	124
Defined contribution plans	15	15
	139	139

33. Related Party Disclosure

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transaction

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant party transaction of the Group and the Company are as follows:

	2016 RM'000	2015 RM'000
Group		
Transaction with other related company		
Rental paid to related company	-	19
Company		
Transaction with subsidiary companies		
Advances from subsidiaries	317	2,027
Advances to subsidiaries	(13,526)	-
Repayment through contra within subsidiaries	9	-
Payments on behalf by subsidiaries	241	297
Repayment from subsidiaries	267	270

33. Related Party Disclosure (Cont'd)

(c) Compensation of key management personnel

Remuneration of key management personnel are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Salary, fees and other emoluments	3,644	3,288
Defined contribution plans	416	383
Estimated money value of benefit-in-kind	39	39
	4,099	3,710

34. Segment Information

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

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.
Housing development	This consists of development and construction of residential and commercial properties.
Other business segments	This includes investment holding and provision of management services, and trading of chemicals, medication and related equipment, none of which are of a sufficient size to be reported separately.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

34. Segment Information(Cont'd)

	Poultry RM'000	Housing development RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Group					
2016					
Revenue					
Sales	317,624	24,637	1,435	-	343,696
Inter-segment sales	552,387	15,066	5,137	(572,590)	-
Total revenue	870,011	39,703	6,572	(572,590)	343,696
Results					
Segments results	44,614	1,631	(58,502)	46,600	34,343
Interest incomes	1,687	69	-	-	1,756
Interest expenses	(15,930)	(353)	(276)	-	(16,559)
Depreciation and amortisation	(6,539)	(112)	(102)	1,003	(5,750)
Gain on disposal of property, plant and equipment	382	-	-	-	382
Impairment losses on trade receivables	(22,491)	-	(117)	-	(22,608)
Other non-cash items	(11,489)	228	26,752	(2,084)	13,407
Segment (loss)/profit	(9,844)	1,463	(32,245)	52,541	11,915
Assets					
Additional to property, plant and equipment	4,522	72	-	(1,593)	3,001
Additional to non-current assets held for sale	15,696	-	-	-	15,696
Segment assets	489,697	60,192	61,242	(267,290)	343,841
Liabilities					
Segment liabilities	419,227	36,971	28,185	(236,433)	247,950

34. Segment Information (Cont'd)

	Poultry RM'000	Housing development RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Group					
2015					
Revenue					
Sales	335,633	11,130	-	-	346,763
Inter-segment sales	464,751	9,996	12,526	(487,273)	-
Total revenue	800,384	21,126	12,526	(487,273)	346,763
Results					
Interest income	1,804	88	-	-	1,892
Interest expenses	17,624	479	346	-	18,449
Depreciation and amortisation	9,235	156	74	349	9,814
Loss/(Gain) on disposal of property, plant and equipment	17,562	-	-	(781)	16,781
Impairment losses on trade receivables	3,710	-	159	-	3,869
Property, plant and equipment written off	6,187	1	-	-	6,188
Segment profit/ (loss)	(13,895)	(3,353)	(394)	4,251	(13,391)
Assets					
Segment assets	462,283	66,500	92,503	(211,651)	409,635
Liabilities					
Segment liabilities	411,146	36,221	10,775	(132,523)	325,619

Adjustments and eliminations

Fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Additional to non-current assets consists of additions of property, plant and equipment.

Inter-segment revenues are eliminated on consolidation.

Geographic information

No disclosure on geographical segment information as the Group operates predominantly in Malaysia.

35. Financial Instruments

(a) Classification of financial assets

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Group				
2016				
Financial Assets				
Trade receivables	164,807	-	-	164,807
Other receivables	10,048	-	-	10,048
Held-to-maturity investments	-	58,716	-	58,716
Deposits, bank and cash balances	2,566	-	-	2,566
	177,421	58,716	-	236,137
Financial Liabilities				
Trade payables	-	-	23,474	23,474
Other payables	-	-	33,693	33,693
Amount due to Directors	-	-	359	359
Finance lease payables	-	-	2,794	2,794
Bank borowings	-	-	183,026	183,026
	-	-	243,346	243,346

35. Financial Instruments (Cont'd)

(a) Classification of financial assets (Cont'd)

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Group				
2015				
Financial Assets				
Trade receivables	152,228	-	-	152,228
Other receivables	27,575	-	-	27,575
Held-to-maturity investments	-	55,899	-	55,899
Deposits, bank and cash balances	6,125	-	-	6,125
	185,928	55,899	-	241,827
Financial Liabilities				
Trade payables	-	-	30,677	30,677
Other payables	-	-	31,564	31,564
Amount due to Directors	-	-	2,458	31,564
Finance lease payables	-	-	4,999	4,999
Bank borowings	-	-	234,880	234,880
	-	-	304,578	304,578
Company				
2016				
Financial Assets				
Amount due from subsidiary companies	14,658	-	-	14,658
Deposits, bank and cash balances	10	-	-	10
	14,722	-	-	14,722
Financial Liability				
Other payables	-	-	170	170

35. Financial Instruments (Cont'd)

(a) Classification of financial assets (Cont'd)

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Company				
2015				
Financial Assets				
Amount due from subsidiary companies	2,959	-	-	2,959
Deposits, bank and cash balances	2	-	-	2
	2,961	-	-	2,961
Financial Liabilities				
Other payables	-	-	200	200
Amount due to subsidiary companies	-	-	995	995
	-	-	1,195	1,195

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM183,026,000 (2015: RM234,880,000), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. 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 funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amounts RM'000
Group					
2016					
Trade payables	23,474	-	-	23,474	23,474
Other payables	33,693	-	-	33,693	33,693
Finance lease payables	1,314	1,665	-	2,979	2,794
Bank borrowings	168,625	13,736	6,586	188,947	183,026
	227,106	15,401	6,586	249,093	242,987
2015					
Trade payables	30,677	-	-	30,677	30,677
Other payables	31,564	-	-	31,564	31,564
Finance lease payables	2,090	3,356	44	5,490	4,999
Bank borrowings	178,697	54,618	24,473	257,788	234,880
	243,028	57,974	24,517	325,519	302,120
Company					
2016					
Other payables	170	-	-	170	170
2015					
Other payables	200	-	-	200	200
Amount due to subsidiary companies	995	-	-	995	995
Financial guarantee	234,880	-	-	234,880	-
	236,075	-	-	236,075	1,195

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in USD	
	Group	**Company**
	RM'000	**RM'000**
2016		
Trade payables	(943)	-
2015		
Trade payables	(656)	-

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

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

		Group	
		2016	**2015**
		RM'000	**RM'000**
USD	- strengthened 5%	(47)	(33)
	- weakened 5%	47	33

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2016 RM'000	2015 RM'000
Group		
Fixed rate instruments		
Financial Assets		
Held-to-maturity investments	58,716	55,899
	58,716	55,899
Financial Liability		
Finance lease payables	2,794	4,999
Floating rate instruments		
Financial Liability		
Bank borrowings	183,026	234,880

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' and the Company's profit before tax by RM1,830,000 and Nil (2015: RM2,348,000 and Nil) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Fair value of financial instruments not carried at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Carrying amount RM'000
2016				
Group				
Financial Liability				
Finance lease payables	-	1,488	-	1,614
2015				
Group				
Financial Liability				
Finance lease payables	-	3,220	-	3,162

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

35. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

(ii) Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

36. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratio at end of the reporting period is as follows:

	2016 RM'000	**2015 RM'000**
Total loans and borrowings	185,820	239,879
Less: Deposits, bank and cash balances	(2,566)	(6,125)
Net debt	183,254	233,754
Equity attributable to owners of the parent	94,646	82,710
Gearing ratio	1.94	2.83

There were no changes in the Group's approach to capital management during the year.

37. Significant Events

(a) On 31 October 2016, Sinmah Development Sdn. Bhd. ("SDSB"), a wholly- owned subsidiary of the Company had entered into a Memorandum of Understanding ("MOU") with Encorp Bukit Katil Sdn. Bhd. ("EBKSB"), the Master Developer for the development of a parcel of a leasehold land measuring approximately 640.98 acres held under PN43209, Lot No. 6934 Mukim Bukit Katil, District of Melaka Tengah in the State of Melaka ("Bukit Katil Land"), to jointly develop 100 acres of land located within the Bukit Katil Land ("the proposed JV Project").

The MOU stipulates the SDSB's and EBKSB's mutual understanding in relation to the Proposed JV Project, which will be formalised in joint venture agreement ("JVA") to be entered into between SDSB and EBKSB on terms and conditions to be mutually agreed. The MOU is not intended to create legal relations between SDSB and EBKSB and shall not constitute a contractually binding arrangement between SDSB and EBKSB.

The signing of the MOU will enable SDSB to be involved in more development activities.

The MOU will have no material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of the Company for the financial year ended 31 December 2016 but it is expected to contribute positively to the future earnings of Group should the JVA materialise eventually. The MOU shall take effect from 31 October 2016 and shall continue inforce until the expiry of 6 months from the commencement date or until the execution of JVA, whichever is deliver, or such other extended period of time as may be mutually agreed to by the party in writing.

(b) On 25 November 2016, Sinmah Breeders Sdn. Bhd. ("SBSB") and Sinmah Multifeed Sdn. Bhd. ("SMSB"), wholly-owned subsidiaries of the Company had entered into Sales and Purchase Agreements with Farm's Best Food Industries Sdn. Bhd. ("FBFI") for the disposal of lands, breeder farms and equipment for a total sale consideration of Ringgit Malaysia Sixty Million, Eighty Nine Thousand, Two Hundred and Eight (RM60,089,208) only for SBSB and a total sale consideration of Ringgit Malaysia Two Million, Nine Hundred Ten Thousand, Seven Hundred and Ninety Two (RM2,910,792) only for SMSB ("the Disposals").

38. Subsequent Event

(a) On 24 January 2017, Sinmah Livestocks Sdn. Bhd.("SLSB"), Sinmah Breeders Sdn. Bhd. ("SBSB"), Sinmah Multifeed Sdn. Bhd. ("SMSB"), Bersatu Segar Sdn. Bhd. ("BSSB") and Dee Huat Farming Trading Sdn. Bhd. ("DHFT") wholly-owned subsidiaries of the Company had entered into Sales and Purchase Agreements with Farm's Best Food Industries Sdn. Bhd. ("FBFI") for the disposal of the broiler farm lands and farms for a total sales consideration of Ringgit Malaysia Fifty Eight Million, Five Hundred Twenty Six Thousand (RM58,526,100) ("Disposal Considerations").

The submission of the draft circular has been extended to 15 May 2017.

39. Comparative Information

The following reclassification were made to the financial statement of prior year to be consistent with current year presentation.

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Group			
Statements of Financial Position			
Non-Current Assets			
Property, plant and equipment	115,488	2,144	117,632
Current Assets			
Property development costs	9,344	6,877	16,221
Current Liabilities			
Trade payables	32,457	(1,780)	30,677
Other payables	32,837	(1,273)	31,564
Progress billings	-	8,657	8,657
Equity			
Accumulated losses b/f	(32,052)	1,273	(30,779)
Non-controlling interests	1,223	83	1,306

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Group			
Statements of Profit or Loss and Other Comprehensive Income			
Administrative expenses	(25,825)	2,144	(23,681)
Non-controlling interests	236	83	319

40. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2017.

41. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised accumulated losses of the Group and of the Company as at 31 December 2016 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated losses of the Company and its subsidiaries:-				
- Realised	112,041	76,641	-	-
- Unrealised	9,240	9,320	73,737	47,016
	121,281	85,961	73,737	47,016
Less: Consolidation adjustments	(88,728)	(41,472)	-	-
Total accumulated losses	32,553	44,489	73,737	47,016

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Statistics on Shareholdings

as at 31 March 2017

ISSUED AND FULLY PAID UP CAPITAL	RM 61,083,263
CLASS OF SHARES	ORDINARY SHARES
VOTING RIGHTS	ONE VOTE PER ORDINARY SHARE

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	118	6.20	1,670	0.00
100 to 1,000	454	23.84	299,522	0.49
1,001 to 10,000	930	48.84	4,279,526	7.01
10,001 to 100,000	340	17.86	10,935,843	17.90
100,001 to less than 5% of issued shares	59	3.10	18,215,097	29.82
5% of issued shares and above	3	0.16	27,351,605	44.78
Total	1,904	100.00	61,083,263	100.00

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1	Mercsec Nominees (Tempatan) Sdn Bhd F.C.H. Holdings Sdn Bhd	11,348,705	18.58
2	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securitites Account for F.C.H. Holdings Sdn Bhd	10,000,000	16.37
3	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG London (PB Priam)	6,002,900	9.83
4	Teh Sen Siew	2,317,700	3.79
5	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Juai Hian (M09)	1,670,000	2.73
6	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Leong Sai Mun (MY1636)	1,146,200	1.88
7	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tay Seong Meng (MY2432)	700,000	1.15
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Juai Hian (100378)	617,800	1.01
9	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	599,800	0.98
10	Tan Boak Wah	524,800	0.86

Statistics on Shareholdings

as at 31 March 2017 (Cont'd)

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
11	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Fong Kiah Yeow (M&A)	505,200	0.83
12	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soo Sook Mee	503,400	0.82
13	Ong Bee Lian	483,700	0.79
14	Gan Wil Lai	426,100	0.70
15	Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited for Lim Lian Hock (410242)	364,500	0.60
16	Low Ah Lin	350,000	0.57
17	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Juai Hian (KPG/PMS)	302,300	0.49
18	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chia Hong@ Gan Chia Hong (E-TMR)	300,000	0.49
19	Lim Pang Hoo	291,300	0.48
20	Lim Yoon Leng	283,000	0.46
21	Tan Kang Foon	280,000	0.46
22	Kwek Eng Seong	268,800	0.44
23	Goh Juai Hian	250,000	0.41
24	Ng Lo Tong	250,000	0.41
25	Goh Ah Kow @Goh Bak Cheng	233,000	0.38
26	Public Invest Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Securities Pte Ltd (Clients)	230,000	0.38
27	Tan Yong Chiow	230,000	0.38
28	Tay Chee Kian	204,900	0.34
29	Yee Kim Ee	201,900	0.33
30	Ting Hock Foo	200,000	0.33
	TOTAL	**41,086,005**	**67.26**

Statistics on Shareholdings

as at 31 March 2017 (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	-	-	21,463,805*	35.14
Datuk Fong Kiah Yeow	613,200	1.00	21,463,805*	35.14
Fong Ngan Teng	-	-	21,463,805*	35.14
Fong Choon Kai	-	-	21,463,805*	35.14
Datuk Ng Peng Hay @ Ng Peng Hong	-	-	-	-
Mohd Khasan Bin Ahmad	-	-	-	-
Munawar Kabir Mohd Bin Zainal Abidin	-	-	-	-

* 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**	**%**
Mercsec Nominee (Tempatan) Sdn Bhd F.C.H. Holdings Sdn Bhd	11,348,705	18.58	-	-
Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for F.C.H. Holdings Sdn Bhd	10,000,000	16.37	-	-
DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG London (PB Priam)	6,002,900	9.83	-	-

Statistics on Shareholdings-Warrant

as at 31 March 2017

TOTAL NUMBER OF WARRANTS ISSUED	27,765,052	
OUTSTANDING WARRANT	27,765,052	
EXERCISE PRICE OF WARRANTS	Warrants	issued pursuant to bonus issue and private placement (RM1.00)

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	248	14.87	5,877	0.02
100 to 1,000	866	51.92	376,615	1.36
1,001 to 10,000	293	17.56	1,096,637	3.95
10,001 to 100,000	207	12.41	8,222,543	29.61
100,001 to less than 5% of issued shares	52	3.12	12,077,880	43.50
5% of issued shares and above	2	0.12	5,985,500	21.56
Total	1,668	100.00	27,765,052	100.00

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	4,355,500	15.69
2	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tie Ming Chung (CEB)	1,630,000	5.87
3	Teh Sen Siew	568,000	2.05
4	Tan Cheng Seang	486,000	1.75
5	Ng Beng Hong	450,000	1.62
6	Chung Cheng Yuan	446,060	1.61
7	Ng Chim Chi	427,340	1.54
8	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Boon Siong	350,800	1.26
9	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Swee Hun	330,000	1.19
10	Maybank Nominees (Tempatan) Sdn Bhd Kong Cheak Ling	311,000	1.12
11	Ambank (M) Berhad Pledged Securities Account for Wong Ah Yong (SMART)	300,000	1.08

Statistics on Shareholdings-Warrant
as at 31 March 2017 (Cont'd)

	Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
12	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Wong Ah Yong (MY1278)	300,000	1.08
13	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Yong (470281)	300,000	1.08
14	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Yong	300,000	1.08
15	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Yong	300,000	1.08
16	Maybank Nominees (Tempatan) Sdn Bhd Wong Ah Yong	300,000	1.08
17	Wong Ah Yong	300,000	1.08
18	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sinar Maju Enterprise Sdn Bhd	255,000	0.92
19	Tee See Eng	251,000	0.90
20	Teo Meng Hai	250,000	0.90
21	Tan John Too	245,000	0.88
22	Wong Kee Hui	243,800	0.88
23	Lim Chun Bin	240,300	0.87
24	Ng Guat Tong	230,000	0.83
25	Wong Mei Kee	230,000	0.83
26	Wong Mei Wen	230,000	0.83
27	Ng Yuet Shem	225,000	0.81
28	Ng Chze Tan	220,000	0.79
29	Chin Fook Keong	206,000	0.74
30	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leo Song Yeo (T MLKRAYA-CL)	200,000	0.72
	TOTAL	**14,480,800**	**52.16**

Statistics on Shareholdings-Warrant

as at 31 March 2017 (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	-	-	41*	-
Datuk Fong Kiah Yeow	21,600	0.08	41*	-
Fong Ngan Teng	-	-	41*	-
Fong Choon Kai	-	-	41*	-
Datuk Ng Peng Hay @ Ng Peng Hong	-	-	-	-
Munawar Kabir Mohd Bin Zainal Abidin	-	-	-	-
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**	**%**
UOB Kay Hian Nominees (Tempatan) Sdn Bhd	4,360,900	15.71	-	-
RHB Capital Nominees (Tempatan) Sdn Bhd	1,639,120	5.90	-	-
Maybank Nominees (Tempatan) Sdn Bhd	1,520,180	5.48	-	-

List of Properties Owned by the Group

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
THE COMPANY AND 100% OWNED SUBSIDIARIES				
Lot No. 799 & 800 GRN 5523 & 5524 Mukim of Sungai Siput District of Alor Gajah, Melaka	Breeder Farm	Freehold	2,177,353	1987
Lot No. 2893 - 2899 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	3,306,477	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah, Melaka	Breeder Farm	Freehold	1,444,861	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah, Melaka	Breeder Farm	Freehold	923,270	1981
Lot 3689, 640 639,959,1854, 3688 & 3687 GM 575, 1379, 1418, 91168, 4926, 53072 & 53077 Mukim Lenga, District of Muar, Johor	Breeder Farm	Freehold	842,220	1996
Lot 458 & 459 GRN 60152 & 60151 Mukim of Tebong District of Tampin Negeri Sembilan	Breeder Farm	Freehold	557,266	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat, Johor	Broiler Farm	Freehold	1,729,961	1995
Lot No. 4160 & 4161 GM 2548 and GM 2547 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,210,914	2011
Lot 4163, GM 1799 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,205,167	2011

List of Properties Owned by the Group
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
MLO 8663 H.S.(D) 2631 Mukim Sembrong, Johor	Broiler Farm	Freehold	598,038	1995
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)	263,932	2003
No. 65 & 65-1 Jalan KU 12, Taman Krubong Utama, Krubong 75250 Melaka	Double Storey shoplot	Leasehold (expiring in 2105)	283,558	2013
Lot 1599, C.T. 6270 Port Dickson, Negeri Sembilan	Broiler Farm	Freehold	1,291,944	1995
GM2404, Lot No. 4967 Mukim Triang Ilir District of Jelebu Negeri Sembilan	Broiler Farm	Freehold	869,355	1995
Taman Mewah Alor Gajah, Melaka	6 Units of 2- bedroom Apartment	Leasehold (Expiring in 2091)	105,334	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	366,855	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	3,108,402	1994
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat, Johor	Broiler Farm	Freehold	550,022	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII Batu Pahat, Johor	Broiler Farm	Freehold	597,980	1997
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	597,870	2006

List of Properties Owned by the Group
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	403,183	2005
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of bedrooms apartment	Freehold	258,753	1998
H.S. (D) 302891, Lot No. PTD15511, Mukim of Sedenak, District of Johor Bahru State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	4	2000
H.S. (D) 44849, Lot No. PTD16818 Mukim of Bukit Batu, District of Kulaijaya State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	638,848	2008
H.S.(M) 1184, 1243, & 1244 Lot Nos. MLO 1367, 7119 & 7120 Kuala Kabong 1, Mukim of Bukit Baru District of Kulaijaya, Johor	Broiler farm	Leasehold (99 years)	536,647	2009
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah, Melaka	Double storey shophouse	Freehold	141,518	2006
Lot 345 & 346 GRN 76358 & 76359 Mukim of Keru District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,638,916	2012
Lot 423, GRN 20691 Mukim of Jelai District of Jempol Negeri Sembilan	Broiler Farm	Freehold	2,440,017	2012
Lot 4071 & 2691 GM 415 & 51 Mukim of Jementah District of Segamat Johor	Broiler Farm	Freehold	1,440,855	2012

List of Properties Owned by the Group

(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
Lot 1075/5 H.S. (M) 4096 Mukim of Bukit Serampang District of Ledang Johor	Broiler Farm	Freehold	1,624,436	2012
Plot No. 170 & 171 H.S. (M) 586 & 500 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,172,544	2012
Lot 3733 & 3734 GM2481 & 2482 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,079,422	2012
Lot 3200 & 3201 GRN 163132 & GRN 163133 Mukim Titian Bintangor District of Rembau Negeri Sembilan	Broiler Farm	Freehold	1,992,253	2012
Lot 967 & 968 GRN 29154 & GRN 29155 Mukim of Semerbok District of Rembau Negeri Sembilan	Broiler Farm	Freehold	1,514,030	2012
Lot 5541, GRN 19254 Mukim of Port Dickson District of Port Dickson Negeri Sembilan	Broiler Farm	Freehold	2,018,403	2012
Lot 4671 & 4672 GRN 71818 & 71819 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	2,113,857	2012
Lot 1105 & 1106 GM3228 & 3229 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	2,358,360	2012

List of Properties Owned by the Group

(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
MLO 5436, MLO 5437 Lot 1639 & Lot 3523 H.S. (D) 2447, H.S. (D) 2448 GM1333 & GM 364 Mukim of Lenga District of Muar, Johor	Broiler Farm	Freehold	1,924,282	2012
Lot 663/5 & 664/5 H.S. (M) 4271 & H.S. (M) 4834 Mukim of Bukit Serampang District of Ledang, Johor	Broiler Farm	Freehold	2,158,922	2012
PT 371 & Lot 2210 H.S. (D) 3512 & GRN 46887 Mukim of Tabong Naning District of Alor Gajah, Melaka	Broiler Farm	Freehold	2,947,180	2012
Lot 3608, GM 2551 Mukim of Gemencheh District of Tampin Negeri Sembilan	Broiler Farm	Freehold	1,774,559	2014
Lot 1684 GRN 71977 Mukim Gemas District of Tampin Negeri Sembilan	Broiler Farm	Freehold	2,003,859	2014
NON-WHOLLY OWNED SUBSIDIARIES				
Lot 1310, GN47071 Minyak Beku 6 Batu Pahat, Johor	Poultry processing plant & coldrooms / office block	Freehold	2,395,224	1991
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat, Johor	Broiler farm	Freehold	165,794	1995
Lot 3233, EMR 5066 Minyak Beku 6 Batu Pahat, Johor	Broiler farm	Freehold	646,885	1997
Lot 1730, CT 2851 Bandar Penggaram District of Batu Pahat, Johor	Double storey terrace shophouse	Freehold	248,470	1998

1. Corporate Proposals And Utilisation Of Proceeds

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

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

However, upon completion of a special audit on FBF for the nine months period ended 30 September 2016, the final sales consideration was adjusted to RM13,384,099. With the final sales consideration of RM13,384,099, the Group recognised a gain on disposal of RM18,217,577 during the financial year ended 31 December 2016. The computation of gain on disposal of FBF was arrived at as follows:

	RM
Property, plant and equipment	44,012,349
Inventories	6,807,070
Trade and other receivables	21,120,086
Cash and bank balances	1,064,143
Trade and other payables	(46,757,649)
Hire purchase payables	(1,081,881)
Term loans	(29,997,596)
	(4,833,478)
Sales Consideration	(13,384,099)
Gain on disposal	**(18,217,577)**

The Disposal of FBF was deemed completed on 8 November 2016 and announcement was duly made to Bursa Malaysia Securities Berhad on 8 November 2016.

Additional Compliance Information
(Cont'd)

The Group intends to utilise the Sales Consideration of RM13,384,099 in the following manner:

	Notes	RM'000	Expected time frame for the utilisation (from the Completion date)
Working capital	(1)	13,234	Within 12 months
Expenses in relation to the Disposal	(2)	150	Within 2 weeks
Total		**13,384**	

Notes:
(1) For the purchase of raw materials such as corn and soybean meal to produce poultry feed for the Group's existing feedmill business.
(2) Comprising professional fees and incidental expenses in relation to the Disposal. Any actual surplus or shortfall of the allocated amount will be adjusted against the allocation for working capital.

The impact of the disposal on cash flows of the Group is as follows:

Total proceeds from disposal	13,384,099
Less: Cash and bank balances of FBF	(1,064,143)
Net cash inflow from disposal	1,770,856

With the completion of the disposal, FBF has ceased to be a subsidiary of the Company.

2. Share Buy-back

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

3. Options or Convertible Securities

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

4. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by any regulatory bodies for the financial year ended 31 December 2016 except for traffic offences.

6. Non-Audit Fees

The total amount of non-audit fees paid or payable to the external auditors and their affiliated companies by the Company for the financial year ended 31 December 2016 amounted to RM3,500.

7. Variation in Results

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 25 February 2017 announcement of unaudited results for the financial year ended 31 December 2016 and the audited financial statements of the Group for the financial year ended 31 December 2016.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

9. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year.

10. Revaluation Policy on Landed Properties

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

Form of Proxy

FARM'S BEST BERHAD
(301653-V)

No. of shares held:	
CDS Account No.:	

I/We ____
(Full Name in Capital Letters)

(NRIC No. ______________________) and (Telephone No. ______________________)

of ____
(Full Address)

being a member of FARM'S BEST BERHAD hereby appoint ______________________
(Full Name in Capital Letters)

______________________ (NRIC No. ______________________)
(Full Name in Capital Letters)

of ____
(Full Address)

or failing him/her, ______________________ (NRIC No. ______________________)
(Full Name in Capital Letters)

of ____
(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 Twenty-Third Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Monday, 29 May 2016 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.

No.	Resolution	For	Against
1.	To receive the Audited Financial Statements and Directors' and Auditors' Reports for the financial year ended 31 December 2016.	N/A	N/A
2.	To approve the payment of Directors' fees. **Ordinary Resolution 1**		
3.	To approve the payment of Directors' Allowances from January 2017 until the next Annual General Meeting of the Company **Ordinary Resolution 2**		
4.	To re-elect Mr Fong Choon Kai as Director. **Ordinary Resolution 3**		
5.	To re-elect Mr Fong Ngan Teng as Director. **Ordinary Resolution 4**		
6.	To re-appoint Auditors and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**		
7.	To re-appoint En Mohd Khasan Bin Ahmad as Independent Non-Executive Director. **Ordinary Resolution 6**		
8.	To re-appoint Datuk Hj Zainal bin Shamsudin as Independent Non-Executive Director. **Ordinary Resolution 7**		
9.	Authority to Allot Shares pursuant to Section 75 of the Companies Act, 2016. **Ordinary Resolution 8**		
10.	To approve the change of name of the Company from "Farm's Best Berhad" to "Sinmah Capital Berhad". **Ordinary Resolution 9**		

Dated this ______ day of _______________ , 2017.

(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 294 of the Companies Act, 2016 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 twenty-four (24) hours before the time set for the Meeting or any adjournment thereof.

(v) For the purpose of determining a member who shall be entitled to attend and vote in the forthcoming Twenty-Third Annual General Meeting, the Company shall be requesting the Record of Depositors in accordance with Article 71(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2017. Only a depositor whose name appears on the Record of Depositors as at 22 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

(vi) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

Fold this flap for sealing

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STAMP

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

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www.farmsbest.com.my

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