

MALAYAN FLOUR MILLS BERHAD (4260-M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**As at 30 June 2014**

	(Unaudited) As at 30.06.2014 RM '000	(Audited) As at 31.12.2013 RM '000
Assets		
Property, plant and equipment	533,943	493,880
Intangible assets	1,040	1,192
Investment properties	5,365	5,394
Investment in a joint venture	27,237	30,501
Investment in associates	3,079	2,648
Deferred tax assets	5,804	5,804
Total non-current assets	576,468	539,419
Trade and other receivables, including derivatives	283,455	290,803
Prepayments and other assets	5,538	4,182
Inventories	371,209	338,514
Current tax assets	1,564	3,213
Cash and cash equivalents	299,300	307,261
Total current assets	961,066	943,973
Total assets	1,537,534	1,483,392
Equity		
Share capital	269,112	269,112
Reserves	429,427	398,697
Total equity attributable to owners of the Company	698,539	667,809
Non-controlling interest	63,072	65,041
Total equity	761,611	732,850
Liabilities		
Deferred tax liabilities	587	587
Loans and borrowings	33,000	28,000
Total non-current liabilities	33,587	28,587
Trade and other payables, including derivatives	93,661	123,571
Loans and borrowings	646,270	593,344
Current tax liabilities	2,405	5,040
Total current liabilities	742,336	721,955
Total liabilities	775,923	750,542
Total equity and liabilities	1,537,534	1,483,392
Net assets per share attributable to owners of the Company (RM)	1.30	1.24

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the financial period ended 30 June 2014

	Note	3 months ended		Financial Period Ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		RM '000	RM '000	RM '000	RM '000
Revenue		563,803	545,160	1,143,182	1,066,418
Cost of goods sold		(515,156)	(499,971)	(1,031,808)	(973,166)
Gross profit		48,647	45,189	111,374	93,252
Operating expenses		(26,966)	(31,792)	(58,819)	(62,367)
Results from operating activities		21,681	13,397	52,555	30,885
Interest expenses		(4,751)	(4,421)	(9,086)	(7,855)
Interest income		4,558	4,687	9,342	9,690
Net finance income/(expenses)		(193)	266	256	1,835
Share of loss of equity accounted joint venture, net of tax		(2,109)	(530)	(3,585)	(928)
Share of profit/(loss) of equity accounted associates, net of tax		(516)	425	431	412
Profit before tax		18,863	13,558	49,657	32,204
Tax expense	17	(3,466)	(2,375)	(7,338)	(6,968)
Profit for the period		15,397	11,183	42,319	25,236
Profit attributable to:					
Owners of the Company		13,565	8,774	36,700	18,992
Non-controlling interests		1,832	2,409	5,619	6,244
Profit for the period		15,397	11,183	42,319	25,236
Basic earnings per ordinary share (sen)	22	2.52	1.63	6.82	3.53
Diluted earnings per ordinary share (sen)	22	2.52	1.63	6.82	3.53

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2014

	3 months ended		Financial Period Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM '000	RM '000	RM '000	RM '000
Profit for the period	15,397	11,183	42,319	25,236
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(8,918)	4,788	(7,200)	8,114
Total comprehensive income for the period	6,479	15,971	35,119	33,350
Total comprehensive income attributable to:				
Owners of the Company	5,724	12,815	30,730	25,800
Minority interests	755	3,156	4,389	7,550
Total comprehensive income for the period	6,479	15,971	35,119	33,350

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period 30 June 2014

	← Attributable to Owners of the Company →				Total RM '000	Non- controlling interests RM '000	Total Equity RM '000
	Share Capital RM '000	Reserve attributable to Capital RM '000	Reserve attributable to Revenue RM '000	Retained Earnings RM '000			
Balance at 1.1.2013	269,112	123,251	(72,118)	321,887	642,132	56,750	698,882
Total comprehensive income for the period	-	-	6,808	18,992	25,800	7,550	33,350
Dividends to owners of the Company	-	-	-	(12,110)	(12,110)	-	(12,110)
Dividends to non-controlling interests	-	-	-	-	-	(7,021)	(7,021)
Balance at 30.06.2013	269,112	123,251	(65,310)	328,769	655,822	57,279	713,101
Balance at 1.1.2014	269,112	123,251	(64,979)	340,425	667,809	65,041	732,850
Total comprehensive income for the period	-	-	(5,970)	36,700	30,730	4,389	35,119
Dividends to non-controlling interests	-	-	-	-	-	(6,358)	(6,358)
Balance at 30.06.2014	269,112	123,251	(70,949)	377,125	698,539	63,072	761,611

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period 30 June 2014

	6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000
Cash Flows From Operating Activities		
Profit before tax	49,657	32,204
Adjustments for:		
Amortisation and depreciation	18,663	14,565
Loss on disposal of property, plant and equipment	1	45
Interest expense	9,086	7,855
Interest income	(9,342)	(9,690)
Property, plant and equipment and intangible assets written off	20	60
Share of loss of equity accounted jointly controlled entity, net of tax	3,585	928
Share of profit of equity accounted associates, net of tax	(431)	(412)
Net unrealised loss on foreign exchange	4,020	2,242
	<u>75,259</u>	<u>47,797</u>
Operating profit before changes in working capital	75,259	47,797
(Increase)/decrease in inventories	(36,066)	53,105
(Decrease)/increase in trade and other payables	(31,220)	10,099
Decrease/(increase) in trade and other receivables	3,958	(11,713)
	<u>11,931</u>	<u>99,288</u>
Cash generated from operations	11,931	99,288
Net income tax paid	(8,302)	(8,987)
Interest received	9,342	9,690
Interest paid	(9,086)	(7,855)
	<u>3,885</u>	<u>92,136</u>
Net cash from operating activities	3,885	92,136
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(60,499)	(46,694)
Subscription of shares in a joint venture	-	(9,400)
Proceeds from disposal of property, plant and equipment	14	73
	<u>(60,485)</u>	<u>(56,021)</u>
Net cash used in investing activities	(60,485)	(56,021)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	-	(12,110)
Dividends paid to non-controlling shareholders	(6,358)	(7,021)
Proceeds from/(Repayment of) loans and borrowings	61,029	(9,785)
	<u>54,671</u>	<u>(28,916)</u>
Net cash from/(used in) financing activities	54,671	(28,916)
Net (decrease)/increase In Cash and Cash Equivalents	(1,929)	7,199
Effect of exchange rate fluctuations on cash held	(6,032)	6,617
Cash and Cash Equivalents at Beginning of Year	307,261	262,279
Cash and Cash Equivalents at End of financial period	<u>299,300</u>	<u>276,095</u>

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:-

	6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000
Deposits placed with licensed banks	261,447	252,587
Cash and bank balances	37,853	23,508
	<u>299,300</u>	<u>276,095</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

1. Basis of preparation

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2013 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2013, except for those standards, amendments and IC interpretation which are effective from the annual period beginning 1 January 2014 and onward. The adoption of these standards, amendments and IC interpretations have no material impact on this Condensed Report.

3. Seasonal or Cyclical Factors

There were no material changes brought about by seasonal or cyclical factors that affect the performance of the Group for the financial period under review.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial period-to-date.

5. Changes in Estimates

There were no changes in estimates that have had any material effect on the financial period-to-date results.

6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the financial period ended 30 June 2014.

7. Dividend

The board has declared an interim single tier dividend of 3.0 sen per ordinary share for the current financial year ending 31 December 2014 (Period ended 30 June 2013: Gross interim dividend of 3.0 sen per ordinary share, less tax at 25%). The dividend will be paid on 19 September 2014 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 9 September 2014.

8. Events After the Reporting Period

There were no material events subsequent to the end of the financial period that would affect the financial results for the current financial period under review.

9. Contingent Liabilities or Assets

There were no material events subsequent to the end of the financial period that would affect the financial results for the current financial period under review.

10. Capital Commitments

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Property, plant and equipment		
Authorised but not contracted for	115,166	61,455
Contracted but not provided for	41,577	58,883
Investment in a joint venture		
Authorised but not contracted for	14,032	14,314

11. Changes in Composition of the Group

There were no changes to the corporate structure of the Group for the financial period ended 30 June 2014.

12. Segmental Information

	← Results for 6 months ended 30 June 2014 →			
	Flour and trading in grains and other allied products RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	821,598	513,181	-	1,334,779
Eliminations- inter-segment	(156,997)	(34,600)	-	(191,597)
Revenue from external customers	<u>664,601</u>	<u>478,581</u>	<u>-</u>	<u>1,143,182</u>
Results from operating activities	21,666	30,902	(13)	52,555
Interest expense				(9,086)
Interest income				9,342
Share of loss of equity accounted joint venture, net of tax				(3,585)
Share of gain of equity accounted associates, net of tax				431
Profit before tax				<u>49,657</u>
				← Results for 6 months ended 30 June 2013 →
	Flour and trading in grains and other allied products RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	745,111	514,834	-	1,259,945
Eliminations- inter-segment	(174,843)	(18,684)	-	(193,527)
Revenue from external customers	<u>570,268</u>	<u>496,150</u>	<u>-</u>	<u>1,066,418</u>
Results from operating activities	21,597	9,302	(14)	30,885
Interest expense				(7,855)
Interest income				9,690
Share of loss of equity accounted joint venture, net of tax				(928)
Share of gain of equity accounted associates, net of tax				412
Profit before tax				<u>32,204</u>

13. Performance Review

For the quarter ended 30 June 2014 (Q2 2014), the Group recorded a revenue of RM563.8 million, an increase of 3% from RM545.2 million registered in 30 June 2013 (Q2 2013). This was mainly attributable to higher sales from flour and trading in grains segment.

Profit before tax for Q2 2014 had increased to RM18.9 million as compared to RM13.6 million posted in Q2 2013. This was mainly due to the inclusion of insurance recovery of RM8.4 million in Q2 2014.

The revenue grew by 7% to RM1,143.2 million for the financial period ended 30 June 2014 as compared to RM1,066.4 million posted in the corresponding period in the preceding year. This was mainly due to higher sales volume from flour and trading in grains segment. For the financial period ended 30 June 2014, the PBT increased by 54% to RM49.7 million as compared to RM32.2 million recorded in the same period in preceding year. This was mainly due to improved revenue in the flour and trading in grains segment and better profit margin in the poultry integration segment.

Flour and trading in grains and other allied products

The flour and trading in grains segment recorded a revenue of RM348.3 million in Q2 2014 as compared to RM292.9 million in Q2 2013 mainly due to higher volume of flour and grains sold in Q2 2014. However, in Q2 2014, the operating profit decreased to RM6.6 million from RM9.6 million registered in Q2 2013 due to lower profit margin in Q2 2014.

The flour and trading in grains and other allied products segment registered a revenue of RM664.6 million for the 6 months ended 30 June 2014, a 17% increase as compared to RM570.3 million posted in the same period of the preceding year due to higher sales volume of flour and grains. Despite the increase in volume, the operating profit for the 6 months ended 30 June 2014 sustained at RM21.7 million as compared to RM21.6 million posted in the same period in the preceding year due to lower profit margin.

Poultry integration

The poultry integration segment recorded a 15% decrease in revenue to RM215.5 million in Q2 2014 as compared to RM252.2 million in Q2 2013 due to lower sales volume of animal feeds and lower selling prices of live birds. However, in Q2 2014, the poultry integration achieved an operating profit of RM15.1 million as compared to an operating profit of RM3.8 million in Q2 2013. This was mainly attributed to improved profit margin of feeds and an insurance recovery of RM7.6 million recognised in Q2 2014.

The poultry integration segment recorded a 4% decrease in revenue to RM478.9 million for the 6 months ended 30 June 2014 as compared to RM496.2 million for the same period in the preceding year. The segment had registered a higher operating profit of RM30.9 million for the 6 months period ended 30 June 2014 as compared to an operating profit of RM9.3 million posted in the same period in the preceding year. This was mainly due to improved margin and insurance recovery of RM7.9 million in the poultry integration segment in the 6 months ended 30 June 2014.

14. Material Changes in Quarterly Results compared to the Results of the Preceding Quarter

For Q2 2014, the Group recorded a revenue of RM563.8 million which represented a 3% decrease from RM579.4 million registered in the quarter ended 31 March 2014 (Q1 2014). The lower revenue was attributed to lower sales in the poultry integration segment. The profit before tax for Q2 2014 had decreased to RM18.9 million as compared to RM30.8 million registered in Q1 2014, mainly due to lower profit margin in the flour and grain trading segment as well as the poultry integration segment.

15. Prospects

The global economic environment continues to be uncertain and commodity prices and foreign exchange rates remain volatile. Despite these uncertainties, and the competitive market environment, the Board is optimistic of the Group's performance in 2014.

16. Variance of Actual from Forecast Profit After Tax and Profit Guarantee

- (a) Profit forecast : Not applicable
- (b) Profit guarantee: Not applicable

17. Income Tax Expense

		3 months ended		6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		RM'000	RM'000	RM'000	RM'000
Current income tax					
Malaysian	- current year	1,647	1,082	3,013	2,958
	- prior year	-	-	(176)	(29)
Overseas	- current year	1,819	1,293	4,501	4,039
		-	-		
		<u>3,466</u>	<u>2,375</u>	<u>7,338</u>	<u>6,968</u>

The Group's effective tax rate for the current quarter was lower than the Malaysian statutory tax rate of 25% mainly due to tax incentives in Vietnam and utilisation of tax losses in Malaysia.

18. Disclosure of Realised and Unrealised Profits/Losses

	As at 30.06.2014	As at 31.12.2013
	RM'000	RM'000
Realised	297,589	254,206
Unrealised	(4,333)	7,170
	<u>293,256</u>	<u>261,376</u>
Add: Consolidation adjustments	83,869	79,049
Total retained earnings	<u>377,125</u>	<u>340,425</u>

19. Status of Corporate Proposals

There were no new proposals announced as at 13 August 2014, the latest practicable date which is not earlier than seven (7) days from the date of this report.

20. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 June 2014 were as follows:

	As at 30.06.2014	As at 31.12.2013
	RM'000	RM'000
Unsecured Long Term Borrowings		
Denominated in Ringgit Malaysia	<u>33,000</u>	<u>28,000</u>
Unsecured Short Term Borrowings		
Denominated in Ringgit Malaysia	332,236	328,464
Denominated in US Dollar	314,034	264,880
	<u>646,270</u>	<u>593,344</u>

21. Changes in Material Litigation

There was no material litigation action since the last annual balance sheet date to the date of this report.

22. Earnings Per Share ("EPS")

(a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of RM0.50 each in issue during the period.

	3 months ended		6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Profit attributable to ordinary shareholders of the Company	13,565	8,774	36,700	18,992
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	538,223	538,223	538,223	538,223
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	538,223	538,223	538,223	538,223
Basic earnings per ordinary share (sen)	2.52	1.63	6.82	3.53
Diluted earnings per ordinary share (sen)	2.52	1.63	6.82	3.53

(a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of RM0.50 each in issue during the period.

(b) Diluted Earnings Per Ordinary Share

The diluted earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of RM0.50 each in issue during the period after adjustment for the effects of all dilutive potential ordinary shares comprising Warrants.

The Warrants are anti-dilutive for the current quarter and year to date as the Warrants exercise price is higher than the average market price of the Company shares during the period. Accordingly, the exercise of Warrants has been ignored in the calculation of diluted earnings per ordinary share.

In the preceding year corresponding quarter and period, the Company did not have any diluted earning per share.

23. Profit for the period

	3 months ended		6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	9,428	8,367	18,663	14,565
Net fair value loss from future and option contracts	31	-	4,208	-
Interest expense from unsecured bankers' acceptances /unsecured revolving credits/ unsecured term loans	4,751	4,421	9,086	7,855
Loss/(gain) on disposal of property, plant and equipment	(1)	145	1	45
Net realised loss on foreign exchange	493	299	470	641
Net unrealised loss on foreign exchange	2,451	825	4,020	2,242
Impairment loss on trade receivables	-	-	124	-
Property, plant and equipment and intangible assets written off	7	36	20	60
and after crediting:				
Bad debts recovered	7	-	11	-
Fair value gain from future and option contracts	-	409	-	177
Interest Income from deposits placed with licensed banks	4,558	4,687	9,342	9,690
Net realised gain on foreign exchange	-	-	-	-
Insurance recoveries	8,437	118	8,766	236

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729

Kuala Lumpur
22 August 2014