

MALAYAN FLOUR MILLS BERHAD (4260-M)

(Incorporated in Malaysia)

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

	(Unaudited) As at 30.09.2014 RM '000	(Audited) As at 31.12.2013 RM '000
Assets		
Property, plant and equipment	543,908	493,880
Intangible assets	1,013	1,192
Investment properties	5,351	5,394
Investment in a joint venture	24,225	30,501
Investment in associates	3,436	2,648
Deferred tax assets	5,804	5,804
Total non-current assets	583,737	539,419
Trade and other receivables, including derivatives	299,648	290,803
Prepayments and other assets	7,897	4,182
Inventories	333,764	338,514
Current tax assets	1,551	3,213
Cash and cash equivalents	332,973	307,261
Total current assets	975,833	943,973
Total assets	1,559,570	1,483,392
Equity		
Share capital	269,114	269,112
Reserves	444,759	398,697
Total equity attributable to owners of the Company	713,873	667,809
Non-controlling interest	66,548	65,041
Total equity	780,421	732,850
Liabilities		
Deferred tax liabilities	587	587
Loans and borrowings	39,236	28,000
Total non-current liabilities	39,823	28,587
Trade and other payables, including derivatives	103,850	123,571
Loans and borrowings	632,717	593,344
Current tax liabilities	2,759	5,040
Total current liabilities	739,326	721,955
Total liabilities	779,149	750,542
Total equity and liabilities	1,559,570	1,483,392
Net assets per share attributable to owners of the Company (RM)	1.33	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 September 2014

	Note	3 months ended		Financial Period Ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
		RM '000	RM '000	RM '000	RM '000
Revenue		569,251	606,732	1,712,433	1,673,150
Cost of goods sold		(500,002)	(540,435)	(1,531,810)	(1,513,601)
Gross profit		69,249	66,297	180,623	159,549
Operating expenses		(33,530)	(30,714)	(92,349)	(93,081)
Results from operating activities		35,719	35,583	88,274	66,468
Interest expenses		(4,879)	(4,131)	(13,965)	(11,986)
Interest income		4,359	5,176	13,701	14,866
Net finance income/(expenses)		(520)	1,045	(264)	2,880
Share of loss of equity accounted joint venture, net of tax		(2,800)	(423)	(6,385)	(1,351)
Share of profit of equity accounted associates, net of tax		357	172	788	584
Profit before tax		32,756	36,377	82,413	68,581
Tax expense	17	(3,811)	(7,358)	(11,149)	(14,326)
Profit for the period		28,945	29,019	71,264	54,255
Profit attributable to:					
Owners of the Company		26,434	24,899	63,134	43,891
Non-controlling interests		2,511	4,120	8,130	10,364
Profit for the period		28,945	29,019	71,264	54,255
Basic earnings per ordinary share (sen)	22	4.91	4.63	11.73	8.15
Diluted earnings per ordinary share (sen)	22	4.91	4.63	11.73	8.15

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 September 2014

	3 months ended		Financial Period Ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM '000	RM '000	RM '000	RM '000
Profit for the period	28,945	29,019	71,264	54,255
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	6,002	1,080	(1,198)	9,194
Total comprehensive income for the period	34,947	30,099	70,066	63,449
Total comprehensive income attributable to:				
Owners of the Company	31,471	25,032	62,201	50,832
Minority interests	3,476	5,067	7,865	12,617
Total comprehensive income for the period	34,947	30,099	70,066	63,449

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 September 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	-	-	6,941	43,891	50,832	12,617	63,449
Dividends to owners of the Company	-	-	-	(24,220)	(24,220)	-	(24,220)
Dividends to non-controlling interests	-	-	-	-	-	(7,112)	(7,112)
Balance at 30.09.2013	269,112	123,251	(65,177)	341,558	668,744	62,255	730,999
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	-	-	(933)	63,134	62,201	7,865	70,066
Issuance of shares pursuant to the exercise of warrants	2	8	-	-	10	-	10
Dividends to owners of the Company	-	-	-	(16,147)	(16,147)	-	(16,147)
Dividends to non-controlling interests	-	-	-	-	-	(6,358)	(6,358)
Balance at 30.09.2014	269,114	123,259	(65,912)	387,412	713,873	66,548	780,421

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 September 2014

	9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Cash Flows From Operating Activities		
Profit before tax	82,413	68,581
Adjustments for:		
Amortisation and depreciation	28,082	23,082
(Gain)/loss on disposal of property, plant and equipment	(4)	72
Interest expense	13,965	11,986
Interest income	(13,701)	(14,866)
Property, plant and equipment and intangible assets written off	25	124
Share of loss of equity accounted jointly controlled entity, net of tax	6,385	1,351
Share of profit of equity accounted associates, net of tax	(788)	(584)
Net unrealised (gain)/loss on foreign exchange	(1,558)	1,797
Operating profit before changes in working capital	<u>114,819</u>	<u>91,543</u>
Decrease in inventories	4,332	139,376
(Decrease)/increase in trade and other payables	(14,748)	12,913
Increase in trade and other receivables	<u>(12,813)</u>	<u>(27,185)</u>
Cash generated from operations	91,590	216,647
Net income tax paid	(11,791)	(11,586)
Interest received	13,701	14,866
Interest paid	<u>(13,965)</u>	<u>(11,986)</u>
Net cash from operating activities	<u>79,535</u>	<u>207,941</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(78,491)	(80,037)
Subscription of shares in a joint venture	-	(9,400)
Proceeds from disposal of property, plant and equipment	31	106
Net cash used in investing activities	<u>(78,460)</u>	<u>(89,331)</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(16,147)	(7,112)
Dividends paid to non-controlling shareholders	(6,358)	(24,220)
Proceeds from/(Repayment of) loans and borrowings	48,227	(29,218)
Proceeds from issuance of shares pursuant to exercise of warrants	10	-
Net cash from/(used in) financing activities	<u>25,732</u>	<u>(60,550)</u>
Net (decrease)/increase In Cash and Cash Equivalents	26,807	58,060
Effect of exchange rate fluctuations on cash held	(1,095)	9,328
Cash and Cash Equivalents at Beginning of Year	307,261	262,279
Cash and Cash Equivalents at End of financial period	<u>332,973</u>	<u>329,667</u>

Cash and cash equivalents

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

	9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Deposits placed with licensed banks	299,770	296,937
Cash and bank balances	33,203	32,730
	<u>332,973</u>	<u>329,667</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

On 17 July 2014, 5,000 new ordinary shares of RM0.50 each were issued pursuant to the exercise of warrants.

Accordingly, the issued and paid-up share capital of the Company increased to RM269,114,040 comprising 538,228,080 ordinary shares of RM0.50 each.

Other than the above, there were no issuances, repurchases and repayments of debt and equity securities during the financial period ended 30 September 2014.

7. Dividend

The interim single tier dividend of 3 sen per ordinary share in respect of the current financial year ending 31 December 2014, amounting to RM16,146,842 was paid on 19 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 30.09.2014 RM'000	As at 31.12.2013 RM'000
Property, plant and equipment		
Authorised but not contracted for	479,915	61,455
Contracted but not provided for	<u>42,740</u>	<u>58,883</u>
Investment in a joint venture		
Authorised but not contracted for	<u>14,336</u>	<u>14,314</u>

The authorised but not contracted for amount of RM479.9 million includes a sum of RM444.7 million relating to expansion projects in poultry integration which is expected to be incurred over the next 3 years.

13. Performance Review

For the quarter ended 30 September 2014 (Q3 2014), the Group recorded a revenue of RM569.3 million, a decrease of 6% from RM606.7 million registered in 30 September 2013 (Q3 2013). This was mainly attributable to lower sales recorded in poultry integration segment.

Profit before tax for Q3 2014 had decreased to RM32.8 million as compared to RM36.4 million posted in Q3 2013. This was mainly due to lower profit margin in flour and trading in grains segment.

The revenue grew by 2% to RM1,712.4 million for the financial period ended 30 September 2014 as compared to RM1,673.2 million posted in the corresponding period in the preceding year. This was mainly due to higher sales volume from the flour and trading in grains segment in Q3 2014. For the financial period ended 30 September 2014, the PBT increased by 20% to RM82.4 million as compared to RM68.6 million recorded in the same period in preceding year. This was mainly due to improved 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 RM364.1 million in Q3 2014 as compared to RM329.6 million in Q3 2013 mainly due to higher volume of flour and grains sold in Q3 2014. However, in Q3 2014, the operating profit decreased to RM10.8 million from RM19.3 million registered in Q3 2013 due to lower profit margin in Q3 2014.

The flour and trading in grains and other allied products segment registered a revenue of RM1,028.7 million for the 9 months ended 30 September 2014, a 14% increase as compared to RM899.9 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 9 months ended 30 September 2014 was 21% lower at RM32.4 million as compared to RM40.9 million posted in the same period in the preceding year due to lower profit margin.

Poultry integration

The poultry integration segment recorded a 26% decrease in revenue to RM205.1 million in Q3 2014 as compared to RM277.1 million in Q3 2013 due to lower sales recorded in in Q3 14 as a result of new contract farming arrangement in Q3 2014 where day-old-chicks and feeds were transferred instead of sold to contract farmers. In Q3 2014, the poultry integration achieved an operating profit of RM25.0 million as compared to an operating profit of RM16.3 million in Q3 2013. This was mainly attributed to higher volume sold and improved profit margin of feeds, live bird and poultry processed products.

The poultry integration segment recorded a 12% decrease in revenue to RM683.7 million for the 9 months ended 30 September 2014 as compared to RM773.3 million for the same period in the preceding year. The segment had registered a higher operating profit of RM55.9 million for the 9 months period ended 30 September 2014 as compared to an operating profit of RM25.6 million posted in the same period in the preceding year. This was mainly due to improved margin and insurance recovery of RM8.0 million in the poultry integration segment in the 9 months ended 30 September 2014.

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

For Q3 2014, the Group recorded a revenue of RM569.3 million which represented a 1% increase from RM563.8 million registered in the quarter ended 30 June 2014 (Q2 2014). The higher revenue was attributed to higher sales in the flour and trading in grains segment. The profit before tax for Q3 2014 had increased to RM32.8 million as compared to RM18.9 million registered in Q2 2014, mainly due to higher 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 expects the Group's performance in 2014 to be favourable.

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		9 months ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
		RM'000	RM'000	RM'000	RM'000
Current income tax					
Malaysian	- current year	3,328	4,537	6,341	7,495
	- prior year	(1,149)	(69)	(1,325)	(98)
Overseas	- current year	1,632	2,890	6,133	6,929
		-	-		
		<u>3,811</u>	<u>7,358</u>	<u>11,149</u>	<u>14,326</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 30.09.2014	As at 31.12.2013
	RM'000	RM'000
Realised	308,664	254,206
Unrealised	6,828	7,170
	<u>315,492</u>	<u>261,376</u>
Add: Consolidation adjustments	71,920	79,049
Total retained earnings	<u>387,412</u>	<u>340,425</u>

19. Status of Corporate Proposals

There were no new proposals announced as at 27 October 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 September 2014 were as follows:

	As at 30.09.2014	As at 31.12.2013
	RM'000	RM'000
Unsecured Long Term Borrowings		
Denominated in Ringgit Malaysia	<u>39,236</u>	<u>28,000</u>
Unsecured Short Term Borrowings		
Denominated in Ringgit Malaysia	268,304	328,464
Denominated in US Dollar	364,413	264,880
	<u>632,717</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		9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit attributable to ordinary shareholders of the Company	26,434	24,899	63,134	43,891
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	538,227	538,223	538,224	538,223
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	538,227	538,223	538,224	538,223
Basic earnings per ordinary share (sen)	4.91	4.63	11.73	8.15
Diluted earnings per ordinary share (sen)	4.91	4.63	11.73	8.15

(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		9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	9,419	8,517	28,082	23,082
Net fair value (gain)/loss from future and option	(8,818)	1,301	(4,610)	1,301
Interest expense from unsecured bankers' acceptances /unsecured revolving credits/ unsecured term loans	4,879	4,131	13,965	11,986
(Gain)/loss on disposal of property, plant and equipment	(5)	27	(4)	72
Net realised loss on foreign exchange	64	591	534	1,232
Net unrealised (gain)/loss on foreign exchange	(5,578)	(445)	(1,558)	1,797
Property, plant and equipment and intangible assets written off	5	64	25	124
and after crediting:				
Bad debts recovered	-	3	11	3
Reversal of impairment loss on trade receivables	498	-	374	-
Interest Income from deposits placed with licensed banks	4,359	5,176	13,701	14,866
Insurance recoveries	125	307	8,891	543

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729

Kuala Lumpur
5 November 2014