

MALAYAN FLOUR MILLS BERHAD (4260-M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**As at 30 June 2015**

	(Unaudited) As at 30.06.2015 RM '000	(Audited) As at 31.12.2014 RM '000
Assets		
Property, plant and equipment	589,981	563,213
Intangible assets	850	1,033
Investment properties	5,309	5,337
Investment in a joint venture	8,432	20,988
Investment in associates	2,946	3,018
Deferred tax assets	17,640	17,640
Total non-current assets	625,158	611,229
Trade and other receivables, including derivatives	346,943	313,827
Prepayments and other assets	4,022	6,395
Inventories	374,559	408,894
Biological assets	43,412	40,094
Current tax assets	816	424
Cash and cash equivalents	265,287	346,354
Total current assets	1,035,039	1,115,988
Total assets	1,660,197	1,727,217
Equity		
Share capital	269,114	269,114
Reserves	473,355	461,446
Total equity attributable to owners of the Company	742,469	730,560
Non-controlling interest	70,614	72,297
Total equity	813,083	802,857
Liabilities		
Deferred tax liabilities	1,948	1,948
Loans and borrowings	61,040	32,112
Total non-current liabilities	62,988	34,060
Trade and other payables, including derivatives	107,015	119,578
Loans and borrowings	675,482	767,684
Current tax liabilities	1,629	3,038
Total current liabilities	784,126	890,300
Total liabilities	847,114	924,360
Total equity and liabilities	1,660,197	1,727,217
Net assets per share attributable to owners of the Company (RM)	1.38	1.36

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2014 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 2015

	Note	3 months ended		Financial Period Ended	
		30.06.2015	30.06.2014	30.06.2015	30.06.2014
		RM '000	RM '000	RM '000	RM '000
Revenue		535,561	563,803	1,091,621	1,143,182
Cost of goods sold		(470,378)	(515,156)	(968,485)	(1,031,808)
Gross profit		65,183	48,647	123,136	111,374
Operating expenses		(41,484)	(26,966)	(79,935)	(58,819)
Results from operating activities		23,699	21,681	43,201	52,555
Interest expenses		(5,474)	(4,751)	(10,878)	(9,086)
Interest income		3,627	4,558	7,652	9,342
Net finance income/(expenses)		(1,847)	(193)	(3,226)	256
Share of loss of equity accounted joint venture, net of tax		(6,276)	(2,109)	(12,544)	(3,585)
Share of (loss)/profit of equity accounted associates, net of tax		(80)	(516)	(72)	431
Profit before tax		15,496	18,863	27,359	49,657
Tax expense	17	(2,451)	(3,466)	(6,488)	(7,338)
Profit for the period		13,045	15,397	20,871	42,319
Profit attributable to:					
Owners of the Company		12,701	13,565	18,099	36,700
Non-controlling interests		344	1,832	2,772	5,619
Profit for the period		13,045	15,397	20,871	42,319
Basic earnings per ordinary share (sen)	22	2.36	2.52	3.36	6.82
Diluted earnings per ordinary share (sen)	22	2.36	2.52	3.36	6.82

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2014 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 2015

	3 months ended		Financial Period Ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM '000	RM '000	RM '000	RM '000
Profit for the period	13,045	15,397	20,871	42,319
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	1,766	(8,918)	15,141	(7,200)
Total comprehensive income for the period	14,811	6,479	36,012	35,119
Total comprehensive income attributable to:				
Owners of the Company	14,182	5,724	30,747	30,730
Minority interests	629	755	5,265	4,389
Total comprehensive income for the period	14,811	6,479	36,012	35,119

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2014 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 ended 30 June 2015

	← 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 1.1.2014	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
Balance at 1.1.2015	269,114	123,259	(53,869)	392,056	730,560	72,297	802,857
Total comprehensive income for the period	-	-	12,648	18,099	30,747	5,265	36,012
Dividends to owners of the Company	-	-	-	(18,838)	(18,838)	-	(18,838)
Dividends to non-controlling interests	-	-	-	-	-	(6,948)	(6,948)
Balance at 30.06.2015	269,114	123,259	(41,221)	391,317	742,469	70,614	813,083

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2014 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 ended 30 June 2015

	6 months ended	
	30.06.2015 RM'000	30.06.2014 RM'000
Cash Flows From Operating Activities		
Profit before tax	27,359	49,657
Adjustments for:		
Amortisation and depreciation	20,510	18,663
(Gain)/loss on disposal of property, plant and equipment	(55)	1
Interest expense	10,878	9,086
Interest income	(7,652)	(9,342)
Property, plant and equipment and intangible assets written off	56	20
Share of loss of equity accounted jointly controlled entity, net of tax	12,544	3,585
Share of loss/(profit) of equity accounted associates, net of tax	72	(431)
Net unrealised (gain)/loss on foreign exchange	(2,508)	4,020
	<hr/>	<hr/>
Operating profit before changes in working capital	61,204	75,259
Decrease/(increase) in inventories	40,713	(20,297)
Increase in biological assets	(3,318)	(15,769)
Decrease in trade and other payables	(14,202)	(31,220)
(Increase)/decrease in trade and other receivables	(25,312)	3,958
	<hr/>	<hr/>
Cash generated from operations	59,085	11,931
Net income tax paid	(8,378)	(8,302)
Interest received	7,652	9,342
Interest paid	(10,878)	(9,086)
	<hr/>	<hr/>
Net cash from operating activities	47,481	3,885
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(43,340)	(60,499)
Proceeds from disposal of property, plant and equipment	85	14
	<hr/>	<hr/>
Net cash used in investing activities	(43,255)	(60,485)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(18,838)	-
Dividends paid to non-controlling shareholders	(6,948)	(6,358)
(Repayment of)/Proceeds from loans and borrowings	(73,175)	61,029
	<hr/>	<hr/>
Net cash used in financing activities	(98,961)	54,671
Net decrease In Cash and Cash Equivalents	(94,735)	(1,929)
Effect of exchange rate fluctuations on cash held	13,668	(6,032)
Cash and Cash Equivalents at Beginning of Year	346,354	307,261
Cash and Cash Equivalents at End of financial period	<u>265,287</u>	<u>299,300</u>

Cash and cash equivalents

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

	6 months ended	
	30.06.2015 RM'000	30.06.2014 RM'000
Deposits placed with licensed banks	222,279	261,447
Cash and bank balances	43,008	37,853
	<hr/>	<hr/>
	<u>265,287</u>	<u>299,300</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2014 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 2014.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2014 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 2014, except for those standards, amendments and IC interpretation which are effective from the annual period beginning 1 July 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 2015.

7. Dividend

The board has declared an interim single tier dividend of 2.0 sen per ordinary share for the current financial year ending 31 December 2015 (Period ended 30 June 2014: Interim single tier dividend of 3.0 sen per ordinary share). The dividend will be paid on 4 September 2015 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 21 August 2015.

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

The Company has provided a proportionate corporate guarantee of USD10.5 million for financing facilities granted by a financial institution to the joint venture company, PT Bungasari Flour Mills Indonesia.

10. Capital Commitments

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Property, plant and equipment		
Authorised but not contracted for	413,060	451,029
Contracted but not provided for	64,335	55,752
Investment in a joint venture		
Authorised but not contracted for	16,488	15,280

The authorised but not contracted for amount of RM413.1 million includes a sum of RM400.7 million relating to expansion projects in poultry integration which is expected to be incurred over the next 3 years.

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 2015.

12. Segmental Information

	← Results for 6 months ended 30 June 2015 →			
	Flour and trading in grains and other allied products RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	871,278	390,853	-	1,262,131
Eliminations- inter-segment	(151,720)	(18,790)	-	(170,510)
Revenue from external customers	<u>719,558</u>	<u>372,063</u>	<u>-</u>	<u>1,091,621</u>
Results from operating activities	20,143	23,057	1	43,201
Interest expense				(10,878)
Interest income				7,652
Share of loss of equity accounted joint venture, net of tax				(12,544)
Share of loss of equity accounted associates, net of tax				(72)
Profit before tax				<u>27,359</u>

	← 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 profit of equity accounted associates, net of tax				431
Profit before tax				<u>49,657</u>

13. Performance Review

For the quarter ended 30 June 2015 (Q2 2015), the Group recorded a revenue of RM535.6 million, a decrease of 5% from RM563.8 million registered in 30 June 2014 (Q2 2014). This was mainly attributable to lower sales recorded in the poultry integration segment.

The Group recorded a profit before tax amounting to RM15.5 million in Q2 2015 as compared to a profit before tax of RM18.9 million in Q2 2014. This was mainly due to higher net interest expenses and higher share of loss on equity accounted joint venture in Q2 2015. The loss incurred in the joint venture was attributed by the unfavourable product margins and weakening of Indonesian Rupiah (IDR) against the United States Dollar (USD) in Q2 2015 which resulted in unrealised losses on foreign exchange on its USD borrowings.

The revenue decreased by 5% to RM1,091.6 million for the financial period ended 30 June 2015 as compared to RM1,143.2 million posted in the corresponding period in the preceding year. This was mainly due to lower sales recorded in the poultry integration segment in 2015. For the financial period ended 30 June 2015, the PBT decreased by 45% to RM27.4 million as compared to RM49.7 million recorded in the same period in preceding year. This was mainly due to lower margins from both flour and trading in grains and poultry integration segments coupled with higher net interest expenses and higher share of loss on equity accounted joint venture in 2015.

Flour and trading in grains and other allied products

The flour and trading in grains segment recorded a revenue of RM345.7 million in Q2 2015 as compared to RM348.3 million in Q2 2014 mainly due to slight decrease in the volume of flour sold in Q2 2015. Nonetheless, the operating profit was maintained at 2%, having increased from RM6.6 million in Q2 2014 to RM7.6 million registered in Q2 2015, mainly attributed to lower wheat consumption costs in Q2 2015.

The flour and trading in grains and other allied products segment registered a revenue of RM719.6 million for the 6 months ended 30 June 2015, an 8% increase as compared to RM664.6 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 2015 was 7% lower at RM20.1 million as compared to RM21.7 million posted in the same period in the preceding year due to higher operational expenses in 2015.

Poultry integration

The poultry integration segment recorded a 12% decrease in revenue to RM189.8 million in Q2 2015 as compared to RM215.5 million in Q2 2014 mainly as a result of new contract farming arrangement which began since May 2014 where day-old-chicks and feeds were transferred instead of sold to contract farmers and lower selling prices of live birds and feeds. The new contract farming arrangement was implemented to improve efficiency of our operations.

In Q2 2015, the poultry integration posted an operating profit of RM16.1 million as compared to an operating profit of RM15.1 million in Q2 2014 mainly due to better live bird selling price giving rise to better margin in Q2 2015. This is in spite of the insurance recovery of RM7.6 million recognised in the segment in Q2 2014. The shortage of broilers caused by slow growth of broilers due to weather fluctuations led to better live bird selling price in the industry in Q2 2015.

The poultry integration segment recorded a 22% decrease in revenue to RM372.1 million for the 6 months ended 30 June 2015 as compared to RM478.6 million for the same period in the preceding year. The segment had registered a lower operating profit of RM23.1 million for the 6 months period ended 30 June 2015 as compared to an operating profit of RM30.9 million posted in the same period in the preceding year. This was mainly due to the 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 2015, the Group recorded a revenue of RM535.6 million which represented a 4% decrease from RM556.1 million registered in the quarter ended 31 March 2015 (Q1 2015). The lower revenue was attributed to lower sales volume in the flour and trading in grains segment due to the competitive environment. Nonetheless, the Group recorded a higher profit before tax of RM15.5 million in Q2 2015 as compared to a profit before tax of RM11.9 million registered in Q1 2015, mainly due to improved profit margins in the poultry integration segment arising from better prices of live birds and poultry processed products in Q2 2015.

15. Prospects

The commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment. Despite the competitive market environment, and these uncertainties, the Board expects the Group's performance in 2015 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		6 months ended	
		30.06.2015	30.06.2014	30.06.2015	30.06.2014
		RM'000	RM'000	RM'000	RM'000
Current income tax					
Malaysian	- current year	1,653	1,647	2,987	3,013
	- prior year	-	-	-	(176)
Overseas	- current year	798	1,819	3,036	4,501
	- prior year	-	-	465	-
		<u>2,451</u>	<u>3,466</u>	<u>6,488</u>	<u>7,338</u>

The Group's effective tax rate for the current income tax during the quarter was lower than the Malaysian statutory tax rate of 25% due to tax incentives in Vietnam and utilisation of tax losses in Malaysia. Excluding the share of losses of joint venture, the Group's effective tax rate for the 6 months ended 30 June 2015 would be 16%.

18. Disclosure of Realised and Unrealised Profits/Losses

		As at	As at
		30.06.2015	31.12.2014
		RM'000	RM'000
Realised		366,130	377,401
Unrealised		18,711	13,663
		<u>384,841</u>	<u>391,064</u>
Add: Consolidation adjustments		6,476	992
Total retained earnings		<u>391,317</u>	<u>392,056</u>

19. Status of Corporate Proposals

There were no new proposals announced as at 31 July 2015, 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 2015 were as follows:

		As at	As at
		30.06.2015	31.12.2014
		RM'000	RM'000
Unsecured Long Term Borrowings			
Denominated in Ringgit Malaysia		<u>61,040</u>	<u>32,112</u>
Unsecured Short Term Borrowings			
Denominated in Ringgit Malaysia		321,008	344,962
Denominated in US Dollar		354,474	422,722
		<u>675,482</u>	<u>767,684</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	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	12,701	13,565	18,099	36,700
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	538,228	538,223	538,228	538,223
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	538,228	538,223	538,228	538,223
Basic earnings per ordinary share (sen)	2.36	2.52	3.36	6.82
Diluted earnings per ordinary share (sen)	2.36	2.52	3.36	6.82

(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 dilutive 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	
	30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	10,451	9,428	20,510	18,663
Net fair value loss from future and option contracts	-	31	-	4,208
Interest expense from unsecured bankers' acceptances /unsecured revolving credits/ unsecured term loans	5,474	4,751	10,878	9,086
Loss on disposal of property, plant and equipment	-	-	-	1
Net realised loss on foreign exchange	3,778	493	4,246	470
Net unrealised loss on foreign exchange	-	2,451	-	4,020
Impairment loss on trade receivables	-	-	9	124
Property, plant and equipment and intangible assets written off	56	7	56	20
and after crediting:				
Bad debts recovered	36	7	109	11
Net fair value gain from future and option contracts	530	-	1,310	-
Reversal of impairment loss on trade receivables	188	-	523	-
Interest Income from deposits placed with licensed banks	3,627	4,558	7,652	9,342
Net unrealised gain on foreign exchange	2,600	-	2,508	-
Insurance recoveries	170	8,437	611	8,766
Gain on disposal of property, plant and equipment	-	-	55	-

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729

Kuala Lumpur
6 August 2015