

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2016

	(Unaudited) As at 30.09.2016 RM '000	(Audited) As at 31.12.2015 RM '000
Assets		
Property, plant and equipment	653,363	632,765
Intangible assets	962	770
Investment properties	5,238	5,280
Investment in a joint venture	43,646	34,634
Investment in associates	1,011	2,883
Deferred tax assets	15,556	15,556
	719,776	691,888
Non-current assets classified as held for sale	2,213	-
Total non-current assets	721,989	691,888
Trade and other receivables, including derivatives	404,130	380,613
Prepayments and other assets	10,937	8,552
Inventories	456,979	462,224
Biological assets	44,713	46,063
Current tax assets	4,753	2,187
Cash and cash equivalents	264,282	273,677
Total current assets	1,185,794	1,173,316
Total assets	1,907,783	1,865,204
Equity		
Share capital	275,120	275,120
Reserves	522,705	495,981
Total equity attributable to owners of the Company	797,825	771,101
Non-controlling interest	74,369	80,603
Total equity	872,194	851,704
Liabilities		
Deferred tax liabilities	2,848	2,848
Loans and borrowings	57,181	53,560
Total non-current liabilities	60,029	56,408
Trade and other payables, including derivatives	163,274	194,604
Loans and borrowings	810,012	759,520
Current tax liabilities	2,274	2,968
Total current liabilities	975,560	957,092
Total liabilities	1,035,589	1,013,500
Total equity and liabilities	1,907,783	1,865,204
Net assets per share attributable to owners of the Company (RM)	1.45	1.40

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2015 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 2016

	3 months ended		Financial Period Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM '000	RM '000	RM '000	RM '000
Revenue	610,865	608,207	1,885,812	1,699,828
Cost of goods sold	(553,501)	(528,230)	(1,685,008)	(1,496,715)
Gross profit	57,364	79,977	200,804	203,113
Operating expenses	(40,839)	(48,137)	(122,473)	(128,072)
Results from operating activities	16,525	31,840	78,331	75,041
Interest expense	(5,707)	(5,535)	(16,549)	(16,413)
Interest income	2,974	3,256	8,516	10,908
Net finance expenses	(2,733)	(2,279)	(8,033)	(5,505)
Share of profit/(loss) of equity accounted joint venture, net of tax	1,205	(8,760)	6,148	(21,304)
Share of profit of equity accounted associates, net of tax	310	153	341	81
Profit before tax	15,307	20,954	76,787	48,313
Tax expense	(1,441)	(5,611)	(9,212)	(12,099)
Profit for the period	13,866	15,343	67,575	36,214
Profit attributable to:				
Owners of the Company	13,828	10,353	62,105	28,452
Non-controlling interests	38	4,990	5,470	7,762
Profit for the period	13,866	15,343	67,575	36,214
Basic earnings per ordinary share (sen)	2.51	1.92	11.29	5.29
Diluted earnings per ordinary share (sen)	2.51	1.92	11.29	5.29

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2015 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 2016

	3 months ended		Financial Period Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM '000	RM '000	RM '000	RM '000
Profit for the period	13,866	15,343	67,575	36,214
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	7,777	34,030	(7,663)	49,171
Total comprehensive income for the period	21,643	49,373	59,912	85,385
Total comprehensive income attributable to:				
Owners of the Company	20,326	39,161	55,676	69,908
Minority interests	1,317	10,212	4,236	15,477
Total comprehensive income for the period	21,643	49,373	59,912	85,385

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2016

	← Attributable to Owners of the Company →						Non-controlling interests RM '000	Total Equity RM '000
	Share Capital RM '000	← Non-Distributable →		Distributable		Total RM '000		
		Reserve attributable to Capital RM '000	Reserve attributable to Revenue RM '000	Retained Earnings RM '000				
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	-	-	41,456	28,452	69,908	15,477	85,385	
Dividends to owners of the Company	-	-	-	(29,603)	(29,603)	-	(29,603)	
Dividends to non-controlling interests	-	-	-	-	-	(6,948)	(6,948)	
Balance at 30.09.2015	269,114	123,259	(12,413)	390,905	770,865	80,826	851,691	
Balance at 1.1.2016	275,120	132,747	(19,764)	382,998	771,101	80,603	851,704	
Total comprehensive income for the period	-	-	(6,429)	62,105	55,676	4,236	59,912	
Acquisition of additional equity in company's subsidiaries	-	-	-	(1,440)	(1,440)	(7,592)	(9,032)	
Issuance of shares pursuant to the exercise of warrants	0*	-	-	-	0	-	0	
Dividends to owners of the Company	-	-	-	(27,512)	(27,512)	-	(27,512)	
Dividends to non-controlling interests	-	-	-	-	-	(2,878)	(2,878)	
Balance at 30.09.2016	275,120	132,747	(26,193)	416,151	797,825	74,369	872,194	

* 50 new ordinary shares of RM0.50 each was issued pursuant to the exercise of warrants

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2015 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 September 2016

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	76,787	48,313
Adjustments for:		
Amortisation and depreciation	33,627	31,589
Gain on disposal of property, plant and equipment	(118)	(151)
Impairment loss on property, plant and equipment	2,269	-
Interest expense	16,549	16,413
Interest income	(8,516)	(10,908)
Property, plant and equipment and intangible assets written off	405	59
Share of (profit)/loss of equity accounted jointly controlled entity, net of tax	(6,149)	21,304
Share of profit of equity accounted associates, net of tax	(341)	(81)
Net unrealised gain on foreign exchange	(2,565)	(6,422)
Operating profit before changes in working capital	<u>111,948</u>	<u>100,116</u>
Inventories	1,096	(3,113)
Biological assets	1,350	(5,159)
Trade and other payables	(29,096)	15,448
Trade and other receivables	(29,726)	(75,713)
Cash generated from operations	<u>55,572</u>	<u>31,579</u>
Net income tax paid	(12,367)	(11,413)
Interest received	8,516	10,908
Interest paid	(16,549)	(16,413)
Net cash generated from operating activities	<u>35,172</u>	<u>14,661</u>
Cash Flows From Investing Activities		
Acquisition of additional equity in subsidiaries	(9,032)	-
Acquisition of property, plant and equipment and intangible assets	(59,938)	(59,539)
Advances to joint venture	(2,772)	-
Proceeds from disposal of property, plant and equipment	174	182
Net cash used in investing activities	<u>(71,568)</u>	<u>(59,357)</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(27,512)	(29,603)
Dividends paid to non-controlling shareholders	(2,878)	(6,948)
Proceeds from/(repayment of) loans and borrowings	63,134	(39,909)
Net cash from/(used in) financing activities	<u>32,744</u>	<u>(76,460)</u>
Net decrease in Cash and Cash Equivalents	<u>(3,652)</u>	<u>(121,156)</u>
Effect of exchange rate fluctuations on cash held	(5,743)	42,965
Cash and Cash Equivalents at Beginning of Year	<u>273,677</u>	<u>346,354</u>
Cash and Cash Equivalents at End of financial period	<u><u>264,282</u></u>	<u><u>268,163</u></u>

Cash and cash equivalents

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

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Deposits placed with licensed banks	227,988	237,602
Cash and bank balances	36,294	30,561
	<u><u>264,282</u></u>	<u><u>268,163</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2015 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 2015.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2015 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 2015, 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

On 22 August 2016, 50 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 RM275,119,530 comprising 550,239,060 ordinary shares of RM0.50 each.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ended 30 September 2016.

7. Dividend

The second interim single tier dividend of 2.0 sen per ordinary share in respect of the previous financial year ended 31 December 2015, amounting to RM11,004,780, was paid on 25 March 2016.

The interim single tier dividend of 3.0 sen per ordinary share in respect of the current financial year ending 31 December 2016, amounting to RM16,507,172 was paid on 15 September 2016.

The Directors do not recommend any payment of dividend for the current financial period ended 30 September 2016.

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 30.09.2016 RM'000	As at 31.12.2015 RM'000
Property, plant and equipment		
Authorised but not contracted for	<u>382,633</u>	<u>386,401</u>
Contracted but not provided for	<u>103,590</u>	<u>111,753</u>
Investment in a joint venture		
Authorised but not contracted for	<u>17,052</u>	<u>18,763</u>

The authorised but not contracted for amount of RM382.6 million includes a sum of RM366.0 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

During the quarter, the Company has increased its effective shareholding in Dindings Poultry Processing Sdn Bhd from 97.7% to 98.89%.

12. Segmental Information

	Results for 9 months ended 30 September 2016			
	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,322,437	617,580	-	1,940,017
Eliminations- inter-segment	(37,572)	(16,633)	-	(54,205)
Revenue from external customers	<u>1,284,865</u>	<u>600,947</u>	<u>-</u>	<u>1,885,812</u>
Results from operating activities	34,377	43,927	27	78,331
Interest expense				(16,549)
Interest income				8,516
Share of profit of equity accounted joint venture, net of tax				6,148
Share of profit of equity accounted associates, net of tax				341
Profit before tax				<u>76,787</u>

	Results for 9 months ended 30 September 2015			
	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,308,819	586,866	-	1,895,685
Eliminations- inter-segment	(171,443)	(24,414)	-	(195,857)
Revenue from external customers	<u>1,137,376</u>	<u>562,452</u>	<u>-</u>	<u>1,699,828</u>
Results from operating activities	35,869	39,152	20	75,041
Interest expense				(16,413)
Interest income				10,908
Share of loss of equity accounted joint venture, net of tax				(21,304)
Share of profit of equity accounted associates, net of tax				81
Profit before tax				<u>48,313</u>

13. Performance Review

For the quarter ended 30 September 2016 (Q3 2016), the Group recorded a revenue of RM610.9 million, a marginal increase of 0.4% from RM608.2 million registered in 30 September 2015 (Q3 2015). This was mainly attributable to higher sales volume recorded in poultry integration segment.

The Group recorded a profit before tax (PBT) amounting to RM15.3 million in Q3 2016 as compared to a PBT of RM21.0 million in Q3 2015. This was mainly due to loss in flour and grains trading segment, coupled with net fair value loss on biological assets recognised in poultry integration segment in Q3 2016. The loss incurred in flour and grains trading segment was attributed by net fair value loss from future and option contracts in Q3 2016.

The revenue increased by 10.9% to RM1,885.8 million for the financial period ended 30 September 2016 as compared to RM1,699.8 million posted in the corresponding period in the preceding year. This was mainly due to higher sales recorded in both flour and grains trading and poultry integration segments in 2016. For the financial period ended 30 September 2016, the PBT increased by 58.9% to RM76.8 million as compared to RM48.3 million recorded in the same period in preceding year. This was mainly due to higher volume and better margin in flour and grains trading segment in 1H 2016 coupled with higher live bird selling price in poultry integration segment and share of profit on equity accounted joint venture in 2016.

Flour and grains trading

The flour and grains trading segment recorded a revenue of RM397.4 million in Q3 2016 as compared to RM417.8 million in Q3 2015 mainly due to lower margin of flour and grains trading sold in Q3 2016. There was an operating loss of RM2.4mil in Q3 2016 as compared to an operating profit of RM15.7mil in Q3 2015, mainly due to net fair value loss from future and option contracts in Q3 2016.

The flour and grains trading segment registered a revenue of RM1,284.9 million for the 9 months ended 30 September 2016, an increase of 13.0% as compared to RM1,137.4 million posted in the same period of the preceding year due to higher sales volume. The operating profit for the 9 months ended 30 September 2016 was 4.2% lower at RM34.4 million as compared to RM35.9 million posted in the same period in the preceding year mainly due to net fair value loss from future and option contracts in Q3 2016.

Poultry integration

The poultry integration segment recorded an increase of 12.1% in revenue to RM213.4 million in Q3 2016 as compared to RM190.4 million in Q3 2015 mainly due to higher volume and better margin sold in Q3 2016. In Q3 2016, the poultry integration posted an operating profit of RM18.9 million as compared to an operating profit of RM16.1 million in Q3 2015 mainly due to higher live bird selling price giving rise to higher margin in Q3 2016. This was inspite of the net fair value loss on biological assets recognised in the segment as a result of lower live bird selling price towards end of Q3 2016.

The poultry integration segment recorded an increase of 6.8% in revenue to RM600.9 million for the 9 months ended 30 September 2016 as compared to RM562.5 million for the same period in the preceding year. The segment had registered a higher operating profit of RM43.9 million for the 9 months period ended 30 September 2016 as compared to an operating profit of RM39.2 million posted in the same period in the preceding year. This was mainly due to the higher live bird selling price coupled with the insurance recoveries recognised in the segment in the 9 months ended 30 September 2016.

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

For Q3 2016, the Group recorded a revenue of RM610.9 million which represented an increase of 0.5% from RM608.1 million registered in the quarter ended 30 June 2016 (Q2 2016). Despite the higher revenue in Q3 2016, the Group recorded a profit before tax of RM15.3 million in Q3 2016 as compared to a profit before tax of RM39.9 million registered in Q2 2016, mainly due to net fair value loss from future and option contracts in flour and grains trading segment coupled with net fair value loss on biological assets recognised in poultry integration segment in Q3 2016.

15. Prospects

The Board expects the Group's performance to remain positive till the end of the financial year.

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

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

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 September 2016

17. Income Tax Expense

		3 months ended		9 months ended	
		30.09.2016	30.09.2015	30.09.2016	30.09.2015
		RM'000	RM'000	RM'000	RM'000
Current income tax					
Malaysian	- current year	(658)	4,573	385	7,560
	- prior year	(158)	(202)	(158)	(202)
Overseas	- current year	2,257	1,240	8,985	4,276
	- prior year	-	-	-	465
		<u>1,441</u>	<u>5,611</u>	<u>9,212</u>	<u>12,099</u>

The Group's effective tax rate for the current income tax during the quarter was lower than the Malaysia statutory tax rate of 24% due to tax incentives in Vietnam and utilisation of tax losses in Malaysia.

18. Disclosure of Realised and Unrealised Profits/(Losses)

	As at 30.09.2016	As at 31.12.2015
	RM'000	RM'000
Realised	415,534	405,138
Unrealised	<u>18,377</u>	<u>(865)</u>
	433,911	404,273
Add: Consolidation adjustments	<u>(17,760)</u>	<u>(21,275)</u>
Total retained earnings	<u>416,151</u>	<u>382,998</u>

19. Status of Corporate Proposals

There were no new proposals announced as at 11 November 2016, 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 2016 were as follows:

	As at 30.09.2016	As at 31.12.2015
	RM'000	RM'000
Unsecured Long Term Borrowings		
Denominated in Ringgit Malaysia	<u>57,181</u>	<u>53,560</u>
Unsecured Short Term Borrowings		
Denominated in Ringgit Malaysia	355,152	336,090
Denominated in US Dollar	<u>454,860</u>	<u>423,430</u>
	<u>810,012</u>	<u>759,520</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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	13,828	10,353	62,105	28,452
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	550,239	538,228	550,239	538,228
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in for diluted EPS computation ('000)	550,239	538,228	550,239	538,228
Basic earnings per ordinary share (sen)	2.51	1.92	11.29	5.29
Diluted earnings per ordinary share (sen)	2.51	1.92	11.29	5.29

(b) 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.

(c) 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.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 September 2016

23. Profit for the period

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	11,359	11,079	33,627	31,589
Net fair value loss from future and option contracts	17,309	5,286	19,164	3,976
Interest expense from unsecured bankers' acceptances /unsecured revolving credits/unsecured term loans	5,707	5,535	16,549	16,413
Net realised loss on foreign exchange	2,086	5,952	4,636	10,198
Property, plant and equipment and intangible assets written off	381	3	405	59
Net fair value loss on biological assets	4,048	-	99	-
Impairment/(reversal of) loss:-				
- Property, plant and equipment	1,057	-	2,269	-
- Trade receivables	(204)	-	1,291	9
and after crediting:				
Bad debts recovered	1,215	-	1,215	109
Reversal of impairment loss on trade receivables	-	-	-	523
Interest Income from deposits placed with licensed banks	2,974	3,256	8,516	10,908
Insurance recoveries	491	52	6,618	663
Gain on disposal of property, plant and equipment	-	96	118	151
Net unrealised gain on foreign exchange	3,779	3,914	2,565	6,422

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729

Kuala Lumpur
17 November 2016