

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	(Unaudited) As at 31.12.2016 RM '000	(Audited) As at 31.12.2015 RM '000
Assets		
Property, plant and equipment	661,631	632,765
Intangible assets	943	770
Investment properties	5,223	5,280
Investment in a joint venture	41,514	34,634
Investment in associates	992	2,883
Deferred tax assets	15,570	15,556
	<u>725,873</u>	<u>691,888</u>
Non-current assets classified as held for sale	2,213	-
Total non-current assets	<u>728,086</u>	<u>691,888</u>
Trade and other receivables, including derivatives	474,038	380,613
Prepayments and other assets	9,636	8,552
Inventories	452,707	462,224
Biological assets	49,944	46,063
Current tax assets	2,713	2,187
Cash and cash equivalents	370,044	273,677
Total current assets	<u>1,359,082</u>	<u>1,173,316</u>
Total assets	<u>2,087,168</u>	<u>1,865,204</u>
Equity		
Share capital	275,120	275,120
Reserves	554,936	495,981
Total equity attributable to owners of the Company	<u>830,056</u>	<u>771,101</u>
Non-controlling interests	<u>84,292</u>	<u>80,603</u>
Total equity	<u>914,348</u>	<u>851,704</u>
Liabilities		
Deferred tax liabilities	6,984	2,848
Loans and borrowings	52,942	53,560
Total non-current liabilities	<u>59,926</u>	<u>56,408</u>
Trade and other payables, including derivatives	173,175	194,604
Loans and borrowings	937,308	759,520
Current tax liabilities	2,411	2,968
Total current liabilities	<u>1,112,894</u>	<u>957,092</u>
Total liabilities	<u>1,172,820</u>	<u>1,013,500</u>
Total equity and liabilities	<u>2,087,168</u>	<u>1,865,204</u>
Net assets per share attributable to owners of the Company (RM)	1.51	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 31 December 2016

	3 months ended		Financial Period Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM '000	RM '000	RM '000	RM '000
Revenue	649,339	602,079	2,538,686	2,301,907
Cost of goods sold	(570,195)	(564,566)	(2,257,020)	(2,061,281)
Gross profit	79,144	37,513	281,666	240,626
Operating expenses	(42,367)	(38,124)	(166,558)	(166,196)
Results from operating activities	36,777	(611)	115,108	74,430
Interest expense	(6,692)	(6,178)	(23,241)	(22,591)
Interest income	4,204	3,064	12,720	13,972
Net finance expenses	(2,488)	(3,114)	(10,521)	(8,619)
Share of profit/(loss) of equity accounted joint venture, net of tax	(2,752)	(497)	3,396	(21,801)
Share of profit/(loss) of equity accounted associates, net of tax	(18)	(217)	323	(136)
Profit/(loss) before tax	31,519	(4,439)	108,306	43,874
Tax expense	(9,147)	(2,371)	(18,359)	(14,470)
Profit /(loss) for the period	22,372	(6,810)	89,947	29,404
Profit attributable to:				
Owners of the Company	15,717	(7,907)	77,822	20,545
Non-controlling interests	6,655	1,097	12,125	8,859
Profit/(loss) for the period	22,372	(6,810)	89,947	29,404
Basic earnings per ordinary share (sen)	2.86	(1.47)	14.14	3.82
Diluted earnings per ordinary share (sen)	2.86	(1.47)	14.14	3.82

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 31 December 2016

	3 months ended		Financial Period Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM '000	RM '000	RM '000	RM '000
Profit/(loss) for the period	22,372	(6,810)	89,947	29,404
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	19,782	(8,673)	12,119	40,498
Total comprehensive income for the period	42,154	(15,483)	102,066	69,902
Total comprehensive income attributable to:				
Owners of the Company	32,231	(15,258)	87,907	54,650
Minority interests	9,923	(225)	14,159	15,252
Total comprehensive income for the period	42,154	(15,483)	102,066	69,902

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 statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 December 2016

	← 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 1.1.2015	269,114	123,259	(53,869)	392,056	730,560	72,297	802,857
Total comprehensive income for the period	-	-	34,105	20,545	54,650	15,252	69,902
Issuance of shares pursuant to a Special Issue	6,006	9,488	-	-	15,494	-	15,494
Dividends to owners of the Company	-	-	-	(29,603)	(29,603)	-	(29,603)
Dividends to non-controlling interests	-	-	-	-	-	(6,946)	(6,946)
Balance at 31.12.2015	275,120	132,747	(19,764)	382,998	771,101	80,603	851,704
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	-	-	10,085	77,822	87,907	14,159	102,066
Changes of ownership interest in subsidiaries	-	-	-	(1,440)	(1,440)	(7,592)	(9,032)
Bonus shares issued by a subsidiary	-	10,422	-	(10,422)	-	-	-
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 31.12.2016	275,120	143,169	(9,679)	421,446	830,056	84,292	914,348

* 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 31 December 2016

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	108,306	43,874
Adjustments for:		
Amortisation and depreciation	47,696	42,773
Gain on disposal of property, plant and equipment	(1,018)	(440)
Interest expense	23,241	22,591
Interest income	(12,720)	(13,972)
Property, plant and equipment and intangible assets written off	453	959
Share of (profit)/loss of equity accounted jointly controlled entity, net of tax	(3,396)	21,801
Share of profit of equity accounted associates, net of tax	(323)	136
Net unrealised loss/(gain) on foreign exchange	1,889	(1,124)
Operating profit before changes in working capital	164,128	116,598
Inventories	14,474	(35,599)
Biological assets	(3,880)	(5,969)
Trade and other receivables	(90,857)	(51,723)
Trade and other payables	(24,089)	71,706
Cash generated from operations	59,776	95,013
Net income tax paid	(15,288)	(13,431)
Interest received	12,720	13,972
Interest paid	(23,241)	(22,591)
Net cash generated from operating activities	33,967	72,963
Cash Flows From Investing Activities		
Acquisition of non-controlling interests in subsidiaries	(9,032)	-
Acquisition of property, plant and equipment and intangible assets	(74,204)	(93,502)
Increase investment in/net advances to a joint venture	(2,772)	(35,421)
Proceeds from disposal of property, plant and equipment	2,554	470
Net cash used in investing activities	(83,454)	(128,453)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(27,512)	(29,603)
Dividends paid to non-controlling interests	(2,878)	(6,946)
Net proceeds from/(repayment of) loans and borrowings	168,489	(15,120)
Net cash from/(used in) financing activities	138,099	(51,669)
Net increase/(decrease) In Cash and Cash Equivalents	88,612	(107,159)
Effect of exchange rate fluctuations on cash held	7,755	34,482
Cash and Cash Equivalents at Beginning of Year	273,677	346,354
Cash and Cash Equivalents at End of financial period	370,044	273,677

Cash and cash equivalents

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

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Deposits placed with licensed banks	291,228	252,285
Cash and bank balances	78,816	21,392
	370,044	273,677

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 Jan 2017 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 31 December 2016.

7. Dividend

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

The Board has declared a second interim single tier dividend of 3.5 sen per ordinary share for the current financial year ended 31 December 2016. The dividend will be paid on 24 March 2017 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 10 March 2017.

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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Property, plant and equipment		
Authorised but not contracted for	575,964	386,401
Contracted but not provided for	118,300	111,753
Investment in a joint venture		
Authorised but not contracted for	17,052	18,763

The authorised but not contracted for amount of RM575.9 million includes a sum of RM427.6 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 31 December 2016.

12. Segmental Information

	Results for 12 months ended 31 December 2016			
	Flour and grains trading	Poultry integration	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,787,848	825,139	-	2,612,987
Eliminations- inter-segment	(52,471)	(21,830)	-	(74,301)
Revenue from external customers	<u>1,735,377</u>	<u>803,309</u>	<u>-</u>	<u>2,538,686</u>
Results from operating activities	53,534	61,454	120	115,108
Interest expense				(23,241)
Interest income				12,720
Share of profit of equity accounted joint venture, net of tax				3,396
Share of profit of equity accounted associates, net of tax				323
Profit before tax				<u>108,306</u>

	Results for 12 months ended 31 December 2015			
	Flour and grains trading	Poultry integration	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,750,598	761,101	-	2,511,699
Eliminations- inter-segment	(180,277)	(29,515)	-	(209,792)
Revenue from external customers	<u>1,570,321</u>	<u>731,586</u>	<u>-</u>	<u>2,301,907</u>
Results from operating activities	44,746	29,675	9	74,430
Interest expense				(22,591)
Interest income				13,972
Share of loss of equity accounted joint venture, net of tax				(21,801)
Share of loss of equity accounted associates, net of tax				(136)
Profit before tax				<u>43,874</u>

13. Performance Review

For the quarter ended 31 December 2016 (Q4 2016), the Group recorded a revenue of RM649.3 million, an increase of 7.8% from RM602.1 million registered in 31 December 2015 (Q4 2015). This was mainly attributable to higher sales recorded in both flour and grains trading and poultry integration segments.

The Group recorded a profit before tax (PBT) amounting to RM31.5 million in Q4 2016 as compared to a loss of RM4.4 million in Q4 2015. This was mainly due to better margin arising from higher live bird selling price in poultry integration segment and grains trading but this was offset by higher share of loss in a joint venture mainly due to unrealised loss on foreign exchange as a result of weakening in USD/IDR in Q4 2016.

The revenue increased by 10.3% to RM2,538.7 million for the financial period ended 31 December 2016 as compared to RM2,301.9 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 31 December 2016, the PBT increased by 146.7% to RM108.3 million as compared to RM43.9 million recorded in the same period in preceding year. This was mainly due to higher volume and better margin in both flour and grains trading and poultry integration segments coupled with share of profit on equity accounted joint venture in 2016.

Flour and grains trading

The Flour and grains trading segment recorded a revenue of RM450.5 million in Q4 2016 as compared to RM432.9 million in Q4 2015 mainly due to higher sales volume recorded in flour and grains trading in Q4 2016. There was an operating profit of RM19.2mil in Q4 2016 as compared to an operating profit of RM8.9mil in Q4 2015, mainly due to higher sales and better margin in grains trading in Q4 2016.

The Flour and grains trading segment registered a revenue of RM1,735.4 million for the 12 months ended 31 December 2016, an increase of 10.5% as compared to RM1,570.3 million posted in the same period of the preceding year mainly due to higher sales of flour and grains trading. The operating profit for the 12 months ended 31 December 2016 was 19.7% higher at RM53.5 million as compared to RM44.7 million posted in the same period in the preceding year mainly due to higher volume and better margin in flour. This was in spite of the higher net fair value loss from future and option contracts in 2016.

Poultry integration

The poultry integration segment recorded an increase of 17.6% in revenue to RM198.8 million in Q4 2016 as compared to RM169.1 million in Q4 2015 mainly due to higher sales recorded in Q4 2016. In Q4 2016, the poultry integration posted an operating profit of RM17.5 million as compared to an operating loss of RM9.5 million in Q4 2015 mainly due to higher live bird selling price giving rise to higher margin in Q4 2016.

The poultry integration segment recorded an increase of 9.8% in revenue to RM803.3 million for the 12 months ended 31 December 2016 as compared to RM731.6 million for the same period in the preceding year mainly due to higher sales recorded in 2016. The segment had registered a higher operating profit of RM61.5 million for the 12 months period ended 31 December 2016 as compared to an operating profit of RM29.7 million posted in the same period in the preceding year. This was mainly due to higher live bird selling price coupled with the insurance recoveries recognised in 2016.

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

For Q4 2016, the Group recorded a revenue of RM649.3 million which represented an increase of 6.3% from RM610.9 million registered in the quarter ended 30 September 2016 (Q3 2016). The Group recorded a profit before tax of RM31.5 million in Q4 2016 as compared to a profit before tax of RM15.3 million registered in Q3 2016, mainly due to higher sales and margin in flour and grains trading segment.

15. Prospects

Despite the uncertain global economic environment, volatile commodity prices and foreign exchange rates, the Board expects the Group's performance in 2017 to remain positive.

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 31 December 2016

17. Income Tax Expense

		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
Current income tax					
Malaysian	- current year	2,278	(2,577)	2,663	4,983
	- prior year	329	(255)	171	(457)
Overseas	- current year	2,418	3,691	11,403	7,967
	- prior year	-	(1,472)	-	(1,007)
Deferred tax	- Origination and reversal of temporary difference	-	-	-	-
	- Recognition of previously unrecognised temporary difference	4,122	2,984	4,122	2,984
		<u>9,147</u>	<u>2,371</u>	<u>18,359</u>	<u>14,470</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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Realised	446,001	405,138
Unrealised	3,831	(865)
	<u>449,832</u>	<u>404,273</u>
Add: Consolidation adjustments	(28,386)	(21,275)
Total retained earnings	<u>421,446</u>	<u>382,998</u>

19. Status of Corporate Proposals

There were no new proposals announced as at 17 February 2017, 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 31 December 2016 were as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Unsecured Long Term Borrowings		
Denominated in Ringgit Malaysia	<u>52,942</u>	<u>53,560</u>
Unsecured Short Term Borrowings		
Denominated in Ringgit Malaysia	369,156	336,090
Denominated in US Dollar	<u>568,152</u>	<u>423,430</u>
	<u>937,308</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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	15,717	(7,907)	77,822	20,545
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	550,239	538,489	550,239	538,225
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	550,239	538,489	550,239	538,225
Basic earnings per ordinary share (sen)	2.86	(1.47)	14.14	3.82
Diluted earnings per ordinary share (sen)	2.86	(1.47)	14.14	3.82

(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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	11,800	11,183	47,696	42,773
Net fair value loss from future and option contracts	4,340	9,420	23,504	13,396
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans	6,692	6,178	23,241	22,591
Net realised loss/(gain) on foreign exchange	(329)	3,408	4,307	13,606
Property, plant and equipment and intangible assets written off	48	900	453	959
Net unrealised loss/(gain) on foreign exchange	4,454	5,298	1,889	(1,124)
Impairment/(reversal of) loss:-				
- Trade receivables	193	440	1,484	(74)
and after crediting:				
Bad debts recovered	-	-	1,215	109
Interest Income from deposits placed with licensed banks	4,204	3,064	12,720	13,972
Insurance recoveries	243	46	6,861	710
Gain on disposal of property, plant and equipment	900	288	1,018	440
Net fair value gain on biological assets	5,253	4,587	5,154	4,587

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729

Kuala Lumpur
23 February 2017