

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	(Unaudited) As at 31.12.2017 RM '000	(Audited) As at 31.12.2016 RM '000
Assets		
Property, plant and equipment	769,062	662,145
Intangible assets	2,951	943
Investment properties	5,167	5,223
Investment in a joint venture	47,217	44,563
Investment in an associate	1,107	992
Deferred tax assets	10,086	15,570
Other investment	2,213	2,213
Total non-current assets	837,803	731,649
Trade and other receivables, including derivatives	373,132	443,117
Prepayments and other assets	6,607	6,729
Inventories	493,018	455,146
Biological assets	56,673	49,944
Current tax assets	2,797	1,499
Cash and cash equivalents	257,768	371,190
Total current assets	1,189,995	1,327,625
Total assets	2,027,798	2,059,274
Equity		
Share capital	377,501	275,120
Reserves	457,115	557,985
Total equity attributable to owners of the Company	834,616	833,105
Non-controlling interests	72,648	84,292
Total equity	907,264	917,397
Liabilities		
Deferred tax liabilities	12,261	5,770
Loans and borrowings	76,194	56,792
Total non-current liabilities	88,455	62,562
Trade and other payables, including derivatives	147,226	143,446
Loans and borrowings	883,121	933,458
Current tax liabilities	1,732	2,411
Total current liabilities	1,032,079	1,079,315
Total liabilities	1,120,534	1,141,877
Total equity and liabilities	2,027,798	2,059,274
Net assets per share attributable to owners of the Company (RM)	1.52	1.51

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2016 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 year ended 31 December 2017

	Note	3 months ended		Financial Year Ended	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM '000	RM '000	RM '000	RM '000
Revenue		591,209	649,339	2,402,283	2,538,686
Cost of goods sold		(533,893)	(570,906)	(2,130,783)	(2,259,690)
Gross profit		57,316	78,433	271,500	278,996
Operating expenses		(41,128)	(41,655)	(170,848)	(163,887)
Results from operating activities		16,188	36,778	100,652	115,109
Interest expense		(6,961)	(6,692)	(25,472)	(23,241)
Interest income		3,313	4,204	13,573	12,720
Net finance expenses		(3,648)	(2,488)	(11,899)	(10,521)
Share of profit of equity accounted joint venture, net of tax		2,185	261	7,771	6,409
Share of (loss)/profit of equity accounted associate, net of tax		(2)	(19)	(31)	322
Profit before tax		14,723	34,532	96,493	111,319
Tax expense	17	(9,270)	(9,147)	(24,530)	(18,359)
Profit for the period		5,453	25,385	71,963	92,960
Profit attributable to:					
Owners of the Company		3,995	18,730	68,568	80,835
Non-controlling interests		1,458	6,655	3,395	12,125
Profit for the period		5,453	25,385	71,963	92,960
Basic earnings per ordinary share (sen)	21	0.73	3.40	12.46	14.69
Diluted earnings per ordinary share (sen)	21	N/A	3.40	12.46	14.69

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2016 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 year ended 31 December 2017

	3 months ended		Financial Year Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM '000	RM '000	RM '000	RM '000
Profit for the period	5,453	25,385	71,963	92,960
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(15,048)	19,818	(36,355)	12,155
Total comprehensive income for the period	(9,595)	45,203	35,608	105,115
Total comprehensive income attributable to:				
Owners of the Company	(8,664)	35,280	37,851	90,956
Minority interests	(931)	9,923	(2,243)	14,159
Total comprehensive income for the period	(9,595)	45,203	35,608	105,115

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2016 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 year ended 31 December 2017

	← Attributable to Owners of the Company →				→	Non-controlling interests	Total Equity
	Share Capital RM '000	Non-Distributable Reserve attributable to Capital RM '000	Reserve attributable to Revenue RM '000	Distributable Retained Earnings RM '000			
Balance at 1.1.2016	275,120	132,747	(19,764)	382,998	771,101	80,603	851,704
Total comprehensive income for the year	-	-	10,121	80,835	90,956	14,159	105,115
Retained earnings reinvested as a capital contribution in 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)
Changes in ownership interests in subsidiaries	-	-	-	(1,440)	(1,440)	(7,592)	(9,032)
Balance at 31.12.2016	275,120	143,169	(9,643)	424,459	833,105	84,292	917,397
Balance at 1.1.2017	275,120	143,169	(9,643)	424,459	833,105	84,292	917,397
Total comprehensive income for the year	-	-	(30,717)	68,568	37,851	(2,243)	35,608
Issuance of shares pursuant to the exercise of warrants	95	-	-	-	95	-	95
Transfer of reserves upon expiry of warrants (note a)	33,368	(33,368)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	(35,767)	(35,767)	-	(35,767)
Dividends to non-controlling interests	-	-	-	-	-	(6,856)	(6,856)
Changes of ownership interest in subsidiaries	-	-	-	(668)	(668)	(2,545)	(3,213)
Transfer pursuant to Companies Act 2016 (note b)	68,918	(68,918)	-	-	-	-	-
Balance at 31.12.2017	377,501	40,883	(40,360)	456,592	834,616	72,648	907,264

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

Note a

As at the Expiry Date of the warrants on 9 May 2017, the warrant reserves were transferred to share capital account pursuant to the new Companies Act 2016 effective from 31 January 2017, as elaborated in Note b.

Note b

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, during the period, the Company transferred the credit standing in the share premium account of RM68.918 million to the share capital account pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any members of the Company as a result of this transition.

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2016 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 year ended 31 December 2017

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	96,493	111,319
Adjustments for:		
Amortisation and depreciation	53,381	47,696
Gain on disposal of property, plant and equipment	(90)	(1,019)
Interest expense	25,472	23,241
Interest income	(13,573)	(12,720)
Property, plant and equipment and intangible assets written off	94	453
Share of profit of equity accounted jointly controlled entity, net of tax	(7,771)	(6,409)
Share of loss/(profit) of equity accounted associate, net of tax	31	(322)
Net unrealised loss on foreign exchange	4,390	1,840
Operating profit before changes in working capital	<u>158,427</u>	<u>164,079</u>
Inventories	(52,124)	12,034
Biological assets	(6,729)	(3,881)
Trade and other receivables, prepayments and other financial assets	45,954	(61,828)
Trade and other payables and other financial liabilities	(232)	(42,327)
Cash generated from operations	<u>145,296</u>	<u>68,077</u>
Net income tax paid	(14,431)	(15,288)
Interest received	13,573	12,720
Interest paid	(25,472)	(23,241)
Net cash generated from operating activities	<u>118,966</u>	<u>42,268</u>
Cash Flows From Investing Activities		
Acquisition of non-controlling interests in subsidiaries	(3,212)	(710)
Acquisition of property, plant and equipment and intangible assets	(174,441)	(74,717)
Increase in investment in a joint venture	-	(2,773)
Proceeds from disposal of property, plant and equipment	192	2,554
Net cash used in investing activities	<u>(177,461)</u>	<u>(75,646)</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(35,767)	(27,512)
Dividends paid to non-controlling interests	(6,856)	(2,878)
Net proceeds from loans and borrowings	14,600	153,526
Proceeds from issuance of shares pursuant to the exercise of warrants	95	-
Net cash (used in)/from financing activities	<u>(27,928)</u>	<u>123,136</u>
Net (decrease)/increase In Cash and Cash Equivalents	<u>(86,423)</u>	<u>89,758</u>
Effect of exchange rate fluctuations on cash held	(26,999)	7,755
Cash and Cash Equivalents at Beginning of Year	<u>371,190</u>	<u>273,677</u>
Cash and Cash Equivalents at End of Financial Year	<u>257,768</u>	<u>371,190</u>

Cash and Cash Equivalents

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

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Deposits placed with licensed banks	232,097	291,040
Cash and bank balances	25,671	80,150
	<u>257,768</u>	<u>371,190</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

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 2016.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2016 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 2016, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2017. 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

During the current year, 46,330 warrants were exercised up to 9 May 2017, the expiry date of the warrants ["Expiry Date"] which resulted in 46,330 new ordinary shares at the issue price of RM2.06 each being issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, the issued and paid-up share capital of the Company increased to RM275,214,969.80 comprising 550,285,390 ordinary shares.

As at the Expiry Date, 107,593,176 warrants which remained unexercised ["Unexercised Warrants"] and accordingly, the Unexercised Warrants became null and void and ceased to be exercisable. The Unexercised Warrants were removed from the official list of Bursa Securities with effect from 11 May 2017.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ended 31 December 2017.

7. Dividend

The second interim single tier dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2016, amounting to RM19,258,372 was paid on 24 March 2017.

The interim single tier dividend of 3.0 sen per ordinary share in respect of the current financial year ending 31 December 2017, amounting to RM16,508,562 was paid on 19 September 2017.

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 2017. The dividend will be paid on 30 March 2018 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 16 March 2018.

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

Since the last annual balance sheet as at 31 December 2016, the Company had been discharged from its obligations under the corporate guarantee of USD10.5 million in accordance with terms and conditions of the corporate guarantee. In the same period, the Company had provided a new proportionate corporate guarantee of USD6.0 million for financing facilities granted by another financial institution to the joint venture company, PT Bungasari Flour Mills Indonesia.

During the year 2017, the Indonesian tax authority having performed a tax audit in relation to its Value-added Tax ("VAT") have issued a notification letter imposing a total sum of RM17.1 million (tax and penalty) on the Group's 30% joint venture company, PT Bungasari Flour Mills Indonesia on the basis of overclaimed VAT for the year 2015. PT Bungasari Flour Mills Indonesia has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. PT Bungasari Flour Mills Indonesia's auditor has concurred with the tax consultant's view. On that basis, the Board concurs with the view that no provision is required in the financial statements for the potential tax liabilities up to the reporting date.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

10. Capital Commitments

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Property, plant and equipment		
Authorised but not contracted for	191,480	575,964
Contracted but not provided for	400,215	118,300
Investment in a joint venture		
Authorised but not contracted for	17,060	-

The authorised but not contracted for amount of RM191.5 million includes a sum of RM191.0 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

On 20 April 2017, the Company had increased its investment in the capital of its wholly-owned subsidiary, MFM Ltd. from USD100 to USD71,529 by subscribing in cash of USD71,429, divided into 71,429 ordinary shares.

On 18 May 2017, the Company had increased its investment in the capital of its wholly-owned subsidiary, AVIOTA Sdn Bhd from RM2 to RM350,000 by subscribing in cash of RM349,998, divided into 349,998 ordinary shares.

On 6 October 2017, the Company had acquired an additional 1.11% equity interest in its subsidiary, Dindings Poultry Processing Sdn Bhd ("DPP") comprising 600,000 ordinary shares ("DPP Shares") for a cash consideration of RM816,000 or at RM1.36 per DPP Share. Following the transfer of shares, DPP becomes a wholly-owned subsidiary of the Company.

On 31 October 2017, the Company had acquired an additional 5.22% equity interest in its subsidiary, Dindings Soya & Multifeeds Sdn Berhad ("DSM") comprising 1,858,334 ordinary shares ("DSM Shares") for a cash consideration of RM2,397,251 or at RM1.29 per DSM Share. Following the transfer of shares, the Company has increased its effective ownership interest in DSM to 92.98%.

12. Segmental Information

Results for 12 months ended 31 December 2017

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,676,071	801,685	-	2,477,756
Eliminations- inter-segment	(35,139)	(40,334)	-	(75,473)
Revenue from external customers	1,640,932	761,351	-	2,402,283
Results from operating activities	63,606	37,100	(54)	100,652
Interest expense				(25,472)
Interest income				13,573
Share of profit of equity accounted joint venture, net of tax				7,771
Share of loss of equity accounted associate, net of tax				(31)
Profit before tax				96,493
Segments assets	1,273,571	705,370	533	1,979,474
Investment in a joint venture	47,217	-	-	47,217
Investment in an associate	-	-	1,107	1,107
Total segment assets	1,320,788	705,370	1,640	2,027,798

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

Results for 12 months ended 31 December 2016				
	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total 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	1,735,377	803,309	-	2,538,686
Results from operating activities	53,684	61,454	(29)	115,109
Interest expense				(23,241)
Interest income				12,720
Share of profit of equity accounted joint venture, net of tax				6,409
Share of profit of equity accounted associate, net of tax				322
Profit before tax				111,319
Segments assets	1,536,587	466,067	11,065	2,013,719
Investment in a joint venture	44,563	-	-	44,563
Investment in an associate	-	-	992	992
Total segment assets	1,581,150	466,067	12,057	2,059,274

13. Performance Review

Financial review for current quarter and financial year to date were as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	591,209	649,339	(9.0%)	2,402,283	2,538,686	(5.4%)
Results from operating activities	16,188	36,778	(56.0%)	100,652	115,109	(12.6%)
Profit before tax	14,723	34,532	(57.4%)	96,493	111,319	(13.3%)
Profit after tax	5,453	25,385	(78.5%)	71,963	92,960	(22.6%)
Profit attributable to owners of the Company	3,995	18,730	(78.7%)	68,568	80,835	(15.2%)

For the quarter ended 31 December 2017 (Q4 2017), the Group recorded a revenue of RM591.2 million, a decrease of 9.0% from RM649.3 million registered in 31 December 2016 (Q4 2016). This was attributable to lower sales in flour and grains trading and poultry integration segments.

The Group recorded a profit before tax (PBT) amounting to RM14.7 million in Q4 2017 as compared to RM34.5 million in Q4 2016. This was mainly due to lower profits in flour and grains trading and poultry integration segments coupled with higher net interest expense in Q4 2017 but was partially offset by higher share of profit of equity accounted joint venture in Q4 2017.

Revenue decreased by 5.4% to RM2,402.3 million for the financial year ended 31 December 2017 as compared to RM2,538.7 million posted in the preceding year. This was mainly due to lower sales volume recorded in flour and grains trading and poultry integration segments in 2017. For the financial year ended 31 December 2017, PBT decreased by 13.3% to RM96.5 million as compared to RM111.3 million recorded in the preceding year. This was mainly due to lower margins and higher operating expenses in poultry integration segment coupled with higher net interest expense but was partially offset by higher margins in flour and grains trading segment and a higher share of profit of equity accounted joint venture in 2017. In 2016, there was a one-off insurance recovery of RM4.2 million in poultry integration segment.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

Flour and grains trading

The flour and grains trading segment recorded a revenue of RM421.3 million in Q4 2017 as compared to RM450.5 million in Q4 2016 mainly due to lower sales volume in Q4 2017. There was an operating profit of RM12.7 million in Q4 2017 as compared to RM 19.3 million in Q4 2016, mainly due to higher wheat consumption costs and lower margin in grains trading in Q4 2017.

The flour and grains trading segment registered a revenue of RM1,640.9 million for the 12 months ended 31 December 2017, a 5.4% decrease as compared to RM1,735.4 million posted in the preceding year mainly due to lower sales volume in 2017. The operating profit for the 12 months ended 31 December 2017 rose 18.5% to RM63.6 million as compared to RM53.7 million posted in the preceding year mainly due to net realised and unrealised gain on future and option contracts in 2017 as compared to net realised and unrealised loss on future and option contracts in 2016.

Poultry integration

The poultry integration segment recorded a decrease of 14.6% in revenue to RM169.9 million in Q4 2017 as compared to RM198.8 million in Q4 2016, mainly due to lower sales volume and live birds selling price in Q4 2017 but was partially offset with higher sales recorded in poultry processed products. In Q4 2017, the poultry integration posted an operating profit of RM3.5 million as compared to RM17.5 million in Q4 2016 mainly due to lower margins arising from lower live birds selling price coupled with higher operating expenses and a lower net fair value gain on biological assets in Q4 2017.

The poultry integration segment recorded a 5.2% decrease in revenue to RM761.4 million for the 12 months ended 31 December 2017 as compared to RM803.3 million in the preceding year mainly due to lower sales volume in 2017. The segment registered a lower operating profit of RM37.1 million for the 12 months ended 31 December 2017 as compared to an operating profit of RM61.5 million posted in the preceding year. The decrease was mainly due to lower margins in the segment coupled with higher operating expenses but was partially offset by an increase of RM3.0 million in net fair value gain on biological assets in the 12 months ended 31 December 2017. In 2016, there was a one-off insurance recovery of RM4.2 million.

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

Financial review for current quarter compared with immediate preceding quarter were as follows:

	Current Quarter	Immediate Preceding Quarter	Changes
	31.12.2017	30.09.2017	
	RM'000	RM'000	%
Revenue	591,209	630,973	(6.3%)
Results from operating activities	16,188	26,559	(39.0%)
Profit before tax	14,723	26,502	(44.4%)
Profit after tax	5,453	23,441	(76.7%)
Profit attributable to owners of the Company	3,995	23,514	(83.0%)

For Q4 2017, the Group recorded a revenue of RM591.2 million which represented a decrease of 6.3% from RM631.0 million registered in the quarter ended 30 Sept 2017 (Q3 2017), mainly due to lower sales volume and lower selling prices recorded in flour and grains trading and poultry integration segments in Q4 2017. The Group recorded a profit before tax of RM14.7 million in Q4 2017 as compared to a profit before tax of RM26.5 million registered in Q3 2017, mainly due to lower margins in flour and grains trading and poultry integration segments arising from lower net realised and unrealised gain on future and option contracts coupled with lower share of profit of equity accounted joint venture in Q4 2017.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

15. Prospects

The Board expects the Group's performance in 2018 to remain profitable despite the challenges of uncertain global economic environment, volatile commodity prices and foreign exchange rates.

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		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Malaysian - current year	119	3,492	2,276	3,877
- prior year	(434)	329	278	171
Overseas - current year	1,734	2,355	8,463	11,340
- prior years	-	63	1,537	63
Deferred tax				
- Origination and reversal of temporary difference	5,785	4,920	9,910	4,920
- Under/(over) provision in prior year	2,066	(2,012)	2,066	(2,012)
	<u>9,270</u>	<u>9,147</u>	<u>24,530</u>	<u>18,359</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. Status of Corporate Proposals

There were no new proposals announced as at 22 February 2018, the latest practicable date which is not earlier than seven (7) days from the date of this report.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

19. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 31 December 2017 were as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	76,194	56,792
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	316,268	292,765
Denominated in US Dollar (i)	529,657	602,886
Denominated in Vietnamese Dong (ii)	17,836	19,097
<u>Term loans</u>		
Denominated in Ringgit Malaysia	19,360	18,710
	<u>883,121</u>	<u>933,458</u>

Included in the Group's loans and borrowings are unsecured bankers' acceptances/unsecured revolving credits:

- (i) Denominated in USD of RM529,657,000, equivalent to USD130,860,000 translated at USD/MYR rate of 4.0475 (2016: RM602,886,000, equivalent to USD134,393,000 translated at USD/MYR rate of 4.4860); and
- (ii) Denominated in VND of RM17,836,000, equivalent to VND100,182 million translated at VND/MYR rate of 5,617 (2016: RM19,097,000, equivalent to VND97,021 million translated at VND/MYR rate of 5,080)

20. Changes in Material Litigation

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

21. 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 in issue during the period.

	3 months ended		12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Profit attributable to ordinary shareholders of the Company	3,995	18,730	68,568	80,835
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	550,285	550,239	550,270	550,239
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	N/A	550,239	550,270	550,239
Basic earnings per ordinary share (sen)	0.73	3.40	12.46	14.69
Diluted earnings per ordinary share (sen)	N/A	3.40	12.46	14.69

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

(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 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 year up to 9 May 2017, the expiry date of the Warrants ["Expiry Date"] as the Warrants exercise price was higher than the average market price of the Company's shares during the period. Accordingly, the exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share. The Company does not have any diluted earnings per share as at 31 December 2017.

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

22. Profit for the period

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	13,665	14,069	53,381	47,696
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans	6,961	6,692	25,472	23,241
Net realised loss on future and option contracts	-	6,755	7,515	20,638
Net unrealised loss on future and option contracts	1,071	-	-	2,915
Net unrealised loss on foreign exchange	354	5,279	4,390	1,840
Net realised loss on foreign exchange	583	-	2,232	4,307
Property, plant and equipment and intangible assets written off	-	32	94	453
Loss on disposal of property, plant and equipment	2	-	-	-
Impairment loss of trade receivables	341	378	558	1,669
and after crediting:				
Interest Income from deposits placed with licensed banks	3,313	4,204	13,573	12,720
Bad debts recovered	-	-	-	1,215
Insurance recoveries	217	243	1,744	6,861
Gain on disposal of property, plant and equipment	-	901	90	1,019
Net unrealised gain on future and option contracts	-	2,366	16,158	-
Net realised gain on future and option contracts	1,672	-	-	-
Net realised gain on foreign exchange	-	329	-	-
Net fair value gain on biological assets	2,568	5,253	8,192	5,154
Reversal of impairment loss of trade receivables	-	185	386	185

23. Derivatives

(a) Contract and fair value of derivatives

	As at 31.12.2017		As at 31.12.2016	
	Contract value	Fair value	Contract value	Fair value
	RM'000	RM'000	RM'000	RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	427,112	442,878
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	367,224	361,484	-	-
- Future and option contracts	11,973	11,854	217,684	201,407

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2017

(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2016: 5 percent) strengthening/(weakening) of RM against USD for the foreign currency forward contracts outstanding at the balance sheet date would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below:

	12 months ended 31.12.2017		12 months ended 31.12.2016	
	Equity	Profit or loss	Equity	Profit or loss
	RM'000	RM'000	RM'000	RM'000
Group	(6,492)	6,492	(6,846)	6,846

(c) Liquidity risk

The contract values of the derivatives disclosed in Note 23(a) represent the contractual cash outflows of the derivatives.

- (d) The significant accounting policies adopted for financial assets and financial liabilities measured at fair value through profit or loss are consistent with those of the audited financial statements for the year ended 31 December 2016.

24. Net gains and losses arising from financial instruments

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	(2,572)	9,740	(21,316)	14,963
- future and option contracts	601	(4,389)	8,643	(23,553)
Loan and receivables	2,971	3,826	13,401	11,050
Financial liabilities measured at amortised cost	(5,326)	(21,382)	(10,778)	(44,351)
	(4,326)	(12,205)	(10,050)	(41,891)

For the 12 months ending 31 December 2017, the net losses are mainly due to reversal of 2016 unrealised gain on foreign currency forward contracts coupled with interest expenses on borrowings but partially offset by the net realised and unrealised gain on future and option contracts and interest income.

Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

By Order of the Board

MAH WAI MUN
Secretary
 MAICSA 7009729

Kuala Lumpur
 28 February 2018