

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2018

	(Unaudited) As at 30.06.2018 RM '000	(Audited) As at 31.12.2017 RM '000
Assets		
Property, plant and equipment	897,816	769,062
Intangible assets	2,765	2,951
Investment properties	5,138	5,167
Investment in a joint venture	51,743	47,217
Investment in an associate	1,128	1,107
Deferred tax assets	9,748	10,086
Other investment	2,213	2,213
Total non-current assets	970,551	837,803
Trade and other receivables, including derivatives	348,549	373,132
Prepayments and other assets	4,138	6,607
Inventories	378,584	493,018
Biological assets	57,768	56,673
Current tax assets	3,767	2,797
Cash and cash equivalents	248,550	257,768
Total current assets	1,041,356	1,189,995
Total assets	2,011,907	2,027,798
Equity		
Share capital	377,501	377,501
Reserves	438,423	457,115
Total equity attributable to owners of the Company	815,924	834,616
Non-controlling interests	69,482	72,648
Total equity	885,406	907,264
Liabilities		
Deferred tax liabilities	10,530	12,261
Loans and borrowings	115,989	76,194
Total non-current liabilities	126,519	88,455
Trade and other payables, including derivatives	132,823	147,226
Loans and borrowings	865,920	883,121
Current tax liabilities	1,239	1,732
Total current liabilities	999,982	1,032,079
Total liabilities	1,126,501	1,120,534
Total equity and liabilities	2,011,907	2,027,798
Net assets per share attributable to owners of the Company (RM)	1.48	1.52

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2017 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 2018

	Note	3 months ended		Financial Period Ended	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM '000	RM '000	RM '000	RM '000
Revenue		547,677	575,926	1,111,492	1,180,101
Cost of goods sold		(487,820)	(511,642)	(996,842)	(1,039,443)
Gross profit		59,857	64,284	114,650	140,658
Operating expenses		(45,748)	(42,128)	(93,092)	(82,753)
Results from operating activities		14,109	22,156	21,558	57,905
Interest expense		(5,603)	(6,053)	(12,382)	(11,995)
Interest income		3,129	3,473	6,437	7,136
Net finance expenses		(2,474)	(2,580)	(5,945)	(4,859)
Share of (loss)/profit of equity accounted joint venture, net of tax		(3,556)	1,902	(5,080)	2,235
Share of profit/(loss) of equity accounted associate, net of tax		26	(6)	22	(13)
Profit before tax		8,105	21,472	10,555	55,268
Tax expense	17	(1,940)	(5,396)	(1,705)	(12,199)
Profit for the period		6,165	16,076	8,850	43,069
Profit attributable to:					
Owners of the Company		4,769	16,149	6,365	41,059
Non-controlling interests		1,396	(73)	2,485	2,010
Profit for the period		6,165	16,076	8,850	43,069
Basic earnings per ordinary share (sen)	21	0.87	2.93	1.16	7.46
Diluted earnings per ordinary share (sen)	21	N/A	2.93	N/A	7.46

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2017 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 2018

	3 months ended		Financial Period Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM '000	RM '000	RM '000	RM '000
Profit for the period	6,165	16,076	8,850	43,069
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	10,579	(9,244)	(6,192)	(13,864)
Total comprehensive income for the period	16,744	6,832	2,658	29,205
Total comprehensive income attributable to:				
Owners of the Company	13,481	8,519	568	29,606
Minority interests	3,263	(1,687)	2,090	(401)
Total comprehensive income for the period	16,744	6,832	2,658	29,205

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2017 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 2018

	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 1.1.2017	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	33,370	(33,370)	-	-	-	-	-
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 a)	68,916	(68,916)	-	-	-	-	-
Balance at 31.12.2017	377,501	40,883	(40,360)	456,592	834,616	72,648	907,264
Balance at 1.1.2018	377,501	40,883	(40,360)	456,592	834,616	72,648	907,264
Total comprehensive income for the year	-	-	(5,797)	6,365	568	2,090	2,658
Dividends to owners of the Company	-	-	-	(19,260)	(19,260)	-	(19,260)
Dividends to non-controlling interests	-	-	-	-	-	(5,256)	(5,256)
Balance at 30.06.2018	377,501	40,883	(46,157)	443,697	815,924	69,482	885,406

Note a

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 2017 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 2018

	6 months ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	10,555	55,268
Adjustments for:		
Amortisation and depreciation	27,704	26,247
Gain on disposal of property, plant and equipment	(13)	(41)
Interest expense	12,382	11,995
Interest income	(6,437)	(7,136)
Property, plant and equipment and intangible assets written off	2	55
Share of loss/(profit) of equity accounted joint venture, net of tax	5,080	(2,235)
Share of (profit)/loss of equity accounted associate, net of tax	(22)	13
Net unrealised (gain)/loss on foreign exchange	(423)	2,140
Operating profit before changes in working capital	48,828	86,306
Inventories	112,145	7,005
Biological assets	(1,095)	(13,953)
Trade and other receivables, prepayments and other financial assets	30,382	38,973
Trade and other payables and other financial liabilities	(8,613)	(33,046)
Cash generated from operations	181,647	85,285
Net income tax paid	(4,532)	(8,251)
Interest received	6,437	7,136
Interest paid	(12,382)	(11,995)
Net cash generated from operating activities	171,170	72,175
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(157,871)	(39,992)
Increase in investment in a joint venture	(12,996)	-
Proceeds from disposal of property, plant and equipment	26	136
Net cash used in investing activities	(170,841)	(39,856)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(19,260)	(19,258)
Dividends paid to non-controlling interests	(5,256)	(6,855)
Net proceeds from/(repayment of) loans and borrowings	17,073	(95,012)
Proceeds from issuance of shares pursuant to the exercise of warrants	-	95
Net cash used in financing activities	(7,443)	(121,030)
Net decrease in Cash and Cash Equivalents	(7,114)	(88,711)
Effect of exchange rate fluctuations on cash held	(2,104)	(12,032)
Cash and Cash Equivalents at Beginning of Year	257,768	371,190
Cash and Cash Equivalents at End of Financial Year	248,550	270,447

Cash and Cash Equivalents

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

	6 months ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Deposits placed with licensed banks	211,258	202,351
Cash and bank balances	37,292	68,096
	248,550	270,447

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2017 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 Period Ended 30 June 2018

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 2017.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2017 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 2017, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2018 which are applicable to the Group. 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 repayment of debt and equity securities during the financial period ended 30 June 2018.

7. Dividend

The second interim single tier dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2017, amounting to RM19,259,994 was paid on 30 March 2018.

The board has declared an interim single tier dividend of 2.0 sen per ordinary share for the current financial year ending 31 December 2018 (Period ended 30 June 2017: Interim single tier dividend of 3.0 sen per ordinary share). The dividend will be paid on 20 September 2018 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 September 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

The Company has provided a proportionate corporate guarantee of up to USD6.0 million for financing facilities granted by a financial institution to the joint venture company, PT Bungasari Flour Mills Indonesia.

10. Capital Commitments

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Property, plant and equipment		
Contracted but not provided for	<u>324,999</u>	<u>400,215</u>

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

11. Changes in Composition of the Group

On 30 January 2018, Dindings Poultry Development Centre Sdn. Bhd. ("DPDC") entered into a Business Transfer Agreement with MFM Feedmill Sdn. Bhd. ("MFMF") to acquire the entire business of MFMF ("Business") for a total consideration equal to the value of the Net Assets of the Business as at 31 March 2018 ("Consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share.

Following this, on 20 April 2018, based on the value of the Net Assets of the Business as at 31 March 2018, the total consideration of the transfer of Business of MFMF to DPDC is RM29,923,310. As settlement of the Consideration, DPDC has allotted 29,923,310 ordinary shares to the Company, being the sole shareholder of MFMF, credited as fully paid-up based on the issue price of RM1.00 per ordinary share.

On 30 January 2018, DPDC also entered into a Business Transfer Agreement with Dindings Soya & Multifeeds Sdn. Berhad ("DSM") to acquire the poultry feed business undertaken by DSM ("Business") for a total consideration equal to the value of the Net Assets of the Business as at 31 March 2018 ("Consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share.

Following this, on 20 April 2018, based on the value of the Net Assets of the Business as at 31 March 2018, the total consideration of the transfer of Business of DSM to DPDC is RM36,534,250. As settlement of the Consideration, DPDC has allotted 36,534,250 ordinary shares to the Company, being a major shareholder of DSM, credited as fully paid-up based on the issue price of RM1.00 per ordinary share.

12. Segmental Information

Results for 6 months ended 30 June 2018

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	806,347	343,170	-	1,149,517
Eliminations- inter-segment	(19,007)	(19,018)	-	(38,025)
Revenue from external customers	787,340	324,152	-	1,111,492
Results from operating activities	17,512	4,032	14	21,558
Interest expense				(12,382)
Interest income				6,437
Share of loss of equity accounted joint venture, net of tax				(5,080)
Share of profit of equity accounted associate, net of tax				22
Profit before tax				10,555
Segments assets	1,145,710	812,856	470	1,959,036
Investment in a joint venture	51,743	-	-	51,743
Investment in an associate	-	-	1,128	1,128
Total segment assets	1,197,453	812,856	1,598	2,011,907

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

	Results for 6 months ended 30 June 2017			
	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	795,152	414,830	-	1,209,982
Eliminations- inter-segment	(16,937)	(12,944)	-	(29,881)
Revenue from external customers	778,215	401,886	-	1,180,101
Results from operating activities	33,461	24,508	(64)	57,905
Interest expense				(11,995)
Interest income				7,136
Share of profit of equity accounted joint venture, net of tax				2,235
Share of loss of equity accounted associate, net of tax				(13)
Profit before tax				55,268
Segments assets	1,237,709	651,281	563	1,889,553
Investment in a joint venture	46,718	-	-	46,718
Investment in an associate	-	-	1,159	1,159
Total segment assets	1,284,427	651,281	1,722	1,937,430

13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	30.06.2018 RM'000	30.06.2017 RM'000		30.06.2018 RM'000	30.06.2017 RM'000	
Revenue	547,677	575,926	(4.9%)	1,111,492	1,180,101	(5.8%)
Results from operating activities	14,109	22,156	(36.3%)	21,558	57,905	(62.8%)
Profit before tax	8,105	21,472	(62.3%)	10,555	55,268	(80.9%)
Profit after tax	6,165	16,076	(61.7%)	8,850	43,069	(79.5%)
Profit attributable to owners of the Company	4,769	16,149	(70.5%)	6,365	41,059	(84.5%)

For the quarter ended 30 June 2018 (Q2 2018), the Group recorded a revenue of RM547.7 million, a decrease of 4.9% from RM575.9 million registered in 30 June 2017 (Q2 2017). This was attributable to lower sales recorded in poultry integration segment.

The Group recorded a profit before tax (PBT) amounting to RM8.1 million in Q2 2018 as compared to RM21.5 million in Q2 2017. This was due to lower profits in flour and grains trading and poultry integration segments coupled with our share of loss of equity accounted joint venture in Indonesia amounting to RM3.6 million in Q2 2018 as compared to a share of profit of RM1.9 million in Q2 2017.

Revenue decreased by 5.8% to RM1,111.5 million for the financial period ended 30 June 2018 as compared to RM1,180.1 million posted in the corresponding period in the preceding year. This was mainly due to lower sales recorded in poultry integration segment in 2018. For the financial period ended 30 June 2018, PBT decreased by 80.9% to RM10.6 million as compared to RM55.3 million recorded in the same period in preceding year. This was mainly due to lower margins in flour and grains trading and poultry integration segments, biological assets fair value loss coupled with higher net interest expense.

Our equity accounted joint venture in Indonesia suffered a share of loss amounting to RM5.1 million in 2018 as compared to a share of profit of RM2.2 million in 2017 mainly due to realised and unrealised losses foreign exchange arising from the further weakening of the Indonesian Rupiah against US Dollar since end-2017.

Flour and grains trading

The flour and grains trading segment recorded a revenue of RM381.3 million in Q2 2018 as compared to RM374.9 million in Q2 2017 mainly due to higher sales volume in Q2 2018. Operating profit increased slightly from RM11.1mil in Q2 2017 to RM11.7 million in Q2 2018 driven by higher volume but offset by slightly lower margins per MT mainly arising from higher wheat costs in Q2 2018. Amidst stiff competition and wheat costs increase, we have only increased our price marginally which is in line with our strategy to defend market share. We will continue to improve our sourcing and operations efficiency in order to protect our margins.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

The flour and grains trading segment registered a revenue of RM787.3 million for the 6 months ended 30 June 2018, a 1.2% increase as compared to RM778.2 million posted in the same period of the preceding year due to higher sales volume in 2018. The segment registered a lower operating profit of RM17.5 million for the 6 months ended 30 June 2018 as compared to RM33.5 million posted in the same period in the preceding year mainly due to lower margins arising from higher wheat costs in 2018.

Poultry integration

The poultry integration segment recorded a significant decrease of 17.2% in revenue to RM166.4 million in Q2 2018 as compared to RM201.0 million in Q2 2017, mainly due to lower sales volume coupled with comparatively lower selling price of live birds in Q2 2018.

In Q2 2018, the poultry integration posted an operating profit of RM2.5 million as compared to RM11.1 million in Q2 2017 mainly due to lower volume and margins arising from sales of live birds and net fair value loss on biological assets of RM1.6 million in Q2 2018 as compared to net fair value gain on biological assets of RM7.0 million in Q2 2017. Excluding the impact from the fluctuation of fair value of biological assets, the operating profit remained consistent.

The poultry integration segment recorded a 19.3% decrease in revenue to RM324.2 million for the 6 months ended 30 June 2018 as compared to RM401.9 million for the same period in the preceding year due to lower sales volume coupled with lower selling price of live birds. The segment had registered a lower operating profit of RM4.0 million for the 6 months period ended 30 June 2018 as compared to an operating profit of RM24.5 million posted in the same period in the preceding year. The decrease was mainly due to lower margins arising from lower sales volume and lower selling price of live birds coupled with net fair value loss on biological assets of RM6.6 million in 2018 as compared to net fair value gain on biological assets of RM9.7 million in 2017. The fair value loss was due to lower contribution margin used as a basis of valuation of biological assets which was applied consistently. Our birds production volume has improved in Q2 2018 compared to previous quarter and expected to fully normalise in Q3 2018.

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 30.06.2018 RM'000	Immediate Preceding Quarter 31.03.2018 RM'000	Changes %
Revenue	547,677	563,815	(2.9%)
Results from operating activities	14,109	7,449	89.4%
Profit before tax	8,105	2,450	230.8%
Profit after tax	6,165	2,685	129.6%
Profit attributable to owners of the Company	4,769	1,596	198.8%

For Q2 2018, the Group recorded a revenue of RM547.7 million which represented a decrease of 2.9% from RM563.8 million registered in the quarter ended 31 March 2018 (Q1 2018), mainly due to lower sales volume recorded in flour and grains trading segment in Q2 2018.

The Group recorded a profit before tax of RM8.1 million in Q2 2018 as compared to a profit before tax of RM2.5 million registered in Q1 2018. Flour and grains trading segment's operating profit increased by 99.1% to RM11.7 million primarily due to higher margins arising from lower wheat costs in Q2 2018 as compared to Q2 2017. Poultry integration segment's operating profit increased by 60.1% to RM2.5 million driven by higher sales volume and a lower net fair value loss on biological assets in Q2 2018. However, our equity accounted joint venture registered a share of loss of RM3.6 million in Q2 2018 against share of loss of RM1.5 million in Q1 2018 due to further weakening of Indonesian Rupiah against US Dollar in Q2 2018.

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

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

17. Income Tax Expense

	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Malaysian - current year	493	1,258	653	3,840
Overseas - current year	1,226	1,524	2,223	4,290
- prior years	35	1,537	222	1,537
Deferred tax				
- Origination and reversal of temporary difference	186	1,075	(274)	2,903
- (Over)/Under provision in prior year	-	2	(1,119)	(371)
	<u>1,940</u>	<u>5,396</u>	<u>1,705</u>	<u>12,199</u>

Excluding the underprovision in prior years, the Group's effective tax rate for the current income tax during the quarter was higher than the Malaysia statutory tax rate of 24% mainly due to share of losses of equity accounted joint venture and lower profits during the quarter, which was partially offset by tax incentives in Vietnam and utilisation of tax losses in Malaysia.

18. Status of Corporate Proposals

The following proposals were announced on 19 July 2018:

- (i) Proposed Renounceable Rights Issue of up to RM165,085,617 in nominal value of 5-year Redeemable Convertible Unsecured Loan Stocks ("RCULS") at 100% of its nominal value of RM1.00 on the basis of 3 RCULS for every 10 existing ordinary shares of MFLOUR ("MFLOUR Shares" or "Shares") held on an entitlement date to be determined later ("Entitlement Date") together with up to 82,542,808 new MFLOUR Shares ("Bonus Shares I") on the basis of 1 Bonus Share I for every 2 RCULS subscribed and up to 82,542,808 Free Detachable Warrants ("Free Warrants I") on the basis of 1 Free Warrant I for every 2 RCULS subscribed ("Proposed Rights Issue of RCULS"); and
- (ii) Proposed Renounceable Rights Issue of new MFLOUR Shares ("Rights Shares") up to 110,057,078 Rights Shares based on the assumed entitlement basis of 1 Rights Share for every 5 existing MFLOUR Shares held on the Entitlement Date, together with up to 55,028,539 new MFLOUR Shares ("Bonus Shares II") on the assumed basis of 1 Bonus Share II for every 2 Rights Shares subscribed and up to 55,028,539 free detachable warrants ("Free Warrants II") on the assumed basis of 1 Free Warrant II for every 2 Rights Shares subscribed by the Entitled Shareholders and/or their renounee(s) ("Assumed Entitlement Basis") to raise gross proceeds of up to RM110.06 million of which the entitlement basis will be determined later ("Proposed Rights Issue of Shares").

Besides the above proposals, there were no new proposals announced as at 10 August 2018, the latest practicable date which is not earlier than seven (7) days from the date of this report.

19. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 June 2018 were as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	115,989	76,194
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	312,430	316,268
Denominated in US Dollar (i)	504,007	529,657
Denominated in Vietnamese Dong (ii)	30,123	17,836
<u>Term loans</u>		
Denominated in Ringgit Malaysia	19,360	19,360
	<u>865,920</u>	<u>883,121</u>

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

- (i) Denominated in USD of RM504,007,000 equivalent to USD124,831,000 translated at USD/MYR rate of 4.0375 (2017: RM529,657,000, equivalent to USD130,860,000 translated at USD/MYR rate of 4.0475); and
- (ii) Denominated in VND of RM30,123,000, equivalent to VND171,524 million translated at VND/MYR rate of 5,694 (2017: RM17,836,000, equivalent to VND100,182 million translated at VND/MYR rate of 5,617)

20. Changes in Material Litigation

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

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

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		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	4,769	16,149	6,365	41,059
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	550,285	550,269	550,285	550,254
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	N/A	550,269	N/A	550,254
Basic earnings per ordinary share (sen)	0.87	2.93	1.16	7.46
Diluted earnings per ordinary share (sen)	N/A	2.93	N/A	7.46

(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 Company does not have any diluted earnings per share as at 30 June 2018.

In the preceding year corresponding quarter, the Warrants are anti-dilutive 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 diluted earnings per ordinary share. The Company does not have any diluted earnings per share as at 30 June 2017, upon the expiry of the Warrants on 9 May 2017.

22. Profit for the period

	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	14,511	13,479	27,704	26,247
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans	5,603	6,053	12,382	11,995
Net realised loss on future and option contracts	-	6,518	-	7,990
Net unrealised loss on future and option contracts	956	-	683	-
Net unrealised loss on foreign exchange	-	-	-	2,140
Net realised loss on foreign exchange	1,249	678	2,364	626
Net fair value loss on biological assets	1,607	-	6,599	-
Property, plant and equipment and intangible assets written off	1	54	2	55
Impairment loss of trade receivables	663	279	1,808	337
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	3,129	3,473	6,433	7,136
- trade debtors	-	-	4	-
Bad debts recovered	-	-	25	-
Insurance recoveries	364	62	1,227	507
Gain on disposal of property, plant and equipment	3	67	13	41
Net unrealised gain on future and option contracts	-	7,757	-	6,875
Net realised gain on future and option contracts	1,390	-	1,873	-
Net unrealised gain on foreign exchange	1,142	-	423	-
Net fair value gain on biological assets	-	7,005	-	9,665
Reversal of impairment loss of trade receivables	361	138	753	258

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2018

23. Derivatives

(a) Contract and fair value of derivatives

	As at 30.06.2018		As at 31.12.2017	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	353,959	358,413	-	-
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	367,224	361,484
- Future and option contracts	17,082	16,280	11,973	11,854

(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2017: 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:

	6 months ended 30.06.2018		6 months ended 30.06.2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(5,702)	5,702	(4,069)	4,069

(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 2017.

24. Net gains and losses arising from financial instruments

	3 months ended		6 months ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	8,904	(4,543)	9,996	(19,429)
- future and option contracts	434	1,239	1,191	(1,116)
Loan and receivables	2,827	3,332	5,382	7,057
Financial assets/(liabilities) measured at amortised cost	(14,615)	(2,262)	(24,319)	4,211
	(2,450)	(2,234)	(7,750)	(9,277)

For the 6 months ending 30 June 2018, the net losses are mainly due to interest expenses on borrowings coupled with net realised and unrealised loss on foreign exchange but partially offset by interest income and net realised and unrealised gain on future and option contracts.

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
 17 August 2018