

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

	(Unaudited) As at 30.09.2018 RM '000	(Audited) As at 31.12.2017 RM '000
<b>Assets</b>		
Property, plant and equipment	942,005	769,062
Intangible assets	2,571	2,951
Investment properties	5,124	5,167
Investment in a joint venture	57,988	47,217
Investment in an associate	1,128	1,107
Deferred tax assets	9,698	10,086
Other investment	2,213	2,213
<b>Total non-current assets</b>	<b>1,020,727</b>	<b>837,803</b>
Trade and other receivables, including derivatives	404,694	373,132
Prepayments and other assets	8,681	6,607
Inventories	510,078	493,018
Biological assets	46,187	56,673
Current tax assets	3,721	2,797
Cash and cash equivalents	199,555	257,768
<b>Total current assets</b>	<b>1,172,916</b>	<b>1,189,995</b>
<b>Total assets</b>	<b>2,193,643</b>	<b>2,027,798</b>
<b>Equity</b>		
Share capital	377,501	377,501
Reserves	423,119	457,115
<b>Total equity attributable to owners of the Company</b>	<b>800,620</b>	<b>834,616</b>
<b>Non-controlling interests</b>	<b>72,214</b>	<b>72,648</b>
<b>Total equity</b>	<b>872,834</b>	<b>907,264</b>
<b>Liabilities</b>		
Deferred tax liabilities	6,215	12,261
Loans and borrowings	127,244	76,194
<b>Total non-current liabilities</b>	<b>133,459</b>	<b>88,455</b>
Trade and other payables, including derivatives	129,319	147,226
Loans and borrowings	1,056,091	883,121
Current tax liabilities	1,940	1,732
<b>Total current liabilities</b>	<b>1,187,350</b>	<b>1,032,079</b>
<b>Total liabilities</b>	<b>1,320,809</b>	<b>1,120,534</b>
<b>Total equity and liabilities</b>	<b>2,193,643</b>	<b>2,027,798</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.45</b>	<b>1.52</b>

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 September 2018

	Note	3 months ended		Financial Period Ended	
		30.09.2018	30.09.2017	30.09.2018	30.09.2017
		RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>		<b>642,746</b>	630,973	<b>1,754,238</b>	1,811,074
Cost of goods sold		<b>(584,778)</b>	(557,447)	<b>(1,581,620)</b>	(1,596,890)
<b>Gross profit</b>		<b>57,968</b>	73,526	<b>172,618</b>	214,184
Operating expenses		<b>(53,549)</b>	(46,967)	<b>(146,641)</b>	(129,720)
<b>Results from operating activities</b>		<b>4,419</b>	26,559	<b>25,977</b>	84,464
Interest expense		<b>(8,034)</b>	(6,516)	<b>(20,416)</b>	(18,511)
Interest income		<b>2,784</b>	3,124	<b>9,221</b>	10,260
<b>Net finance expenses</b>		<b>(5,250)</b>	(3,392)	<b>(11,195)</b>	(8,251)
Share of (loss)/profit of equity accounted joint venture, net of tax		<b>(2,865)</b>	3,351	<b>(7,945)</b>	5,586
Share of profit/(loss) of equity accounted associate, net of tax		<b>(14)</b>	(16)	<b>8</b>	(29)
<b>Profit/(Loss) before tax</b>		<b>(3,710)</b>	26,502	<b>6,845</b>	81,770
Tax (expense)/credit	17	<b>882</b>	(3,061)	<b>(823)</b>	(15,260)
<b>Profit/(Loss) for the period</b>		<b>(2,828)</b>	23,441	<b>6,022</b>	66,510
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		<b>(5,186)</b>	23,514	<b>1,179</b>	64,573
Non-controlling interests		<b>2,358</b>	(73)	<b>4,843</b>	1,937
<b>Profit/(Loss) for the period</b>		<b>(2,828)</b>	23,441	<b>6,022</b>	66,510
<b>Basic earnings/(loss) per ordinary share (sen)</b>	21	<b>(0.94)</b>	4.27	<b>0.21</b>	11.73
<b>Diluted earnings per ordinary share (sen)</b>	21	<b>N/A</b>	N/A	<b>N/A</b>	11.73

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 September 2018

	3 months ended		Financial Period Ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM '000	RM '000	RM '000	RM '000
<b>Profit/(Loss) for the period</b>	<b>(2,828)</b>	23,441	<b>6,022</b>	66,510
<b>Other comprehensive income/(expense), net of tax</b>				
Foreign currency translation differences for foreign operations	<b>1,262</b>	(7,443)	<b>(4,930)</b>	(21,307)
<b>Total comprehensive income/(expense) for the period</b>	<b>(1,566)</b>	15,998	<b>1,092</b>	45,203
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>(4,298)</b>	16,909	<b>(3,730)</b>	46,515
Minority interests	<b>2,732</b>	(911)	<b>4,822</b>	(1,312)
<b>Total comprehensive income/(expense) for the period</b>	<b>(1,566)</b>	15,998	<b>1,092</b>	45,203

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 September 2018

	← Attributable to Owners of the Company →				→	Non-controlling interests	Total Equity
	←	Non-Distributable	→	Distributable			
	Share Capital RM '000	Reserve attributable to Capital RM '000	Reserve attributable to Revenue RM '000	Retained Earnings RM '000	Total RM '000	RM '000	RM '000
<b>Balance at 1.1.2017</b>	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)	-	-	-	-	-
<b>Balance at 31.12.2017</b>	<b>377,501</b>	<b>40,883</b>	<b>(40,360)</b>	<b>456,592</b>	<b>834,616</b>	<b>72,648</b>	<b>907,264</b>
<b>Balance at 1.1.2018</b>	377,501	40,883	(40,360)	456,592	834,616	72,648	907,264
Total comprehensive income for the year	-	-	(4,909)	1,179	(3,730)	4,822	1,092
Dividends to owners of the Company	-	-	-	(30,266)	(30,266)	-	(30,266)
Dividends to non-controlling interests	-	-	-	-	-	(5,256)	(5,256)
<b>Balance at 30.09.2018</b>	<b>377,501</b>	<b>40,883</b>	<b>(45,269)</b>	<b>427,505</b>	<b>800,620</b>	<b>72,214</b>	<b>872,834</b>

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 September 2018

	9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	6,845	81,770
Adjustments for:		
Amortisation and depreciation	42,661	39,716
Loss/(Gain) on disposal of property, plant and equipment	9	(92)
Interest expense	20,416	18,511
Interest income	(9,221)	(10,260)
Property, plant and equipment written off	7	62
Share of loss/(profit) of equity accounted joint venture, net of tax	7,945	(5,586)
Share of (profit)/loss of equity accounted associate, net of tax	(8)	29
Net unrealised loss on foreign exchange	1,987	4,036
Operating profit before changes in working capital	<u>70,641</u>	<u>128,186</u>
Inventories	(18,037)	(3,641)
Biological assets	10,486	(7,262)
Trade and other receivables, prepayments and other financial assets	(32,953)	42,147
Trade and other payables and other financial liabilities	<u>(12,357)</u>	<u>(38,201)</u>
Cash generated from operations	17,780	121,229
Net income tax paid	(7,179)	(10,936)
Interest received	9,221	10,260
Interest paid	<u>(20,416)</u>	<u>(18,511)</u>
Net cash generated from operating activities	<u>(594)</u>	<u>102,042</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment and intangible assets	(216,002)	(101,970)
Increase in investment in a joint venture	(22,759)	-
Proceeds from disposal of property, plant and equipment	34	187
Net cash used in investing activities	<u>(238,727)</u>	<u>(101,783)</u>
<b>Cash Flows From Financing Activities</b>		
Dividends paid to owners of the Company	(30,266)	(35,767)
Dividends paid to non-controlling interests	(5,256)	(6,856)
Net proceeds from loans and borrowings	217,156	18,300
Proceeds from issuance of shares pursuant to the exercise of warrants	-	95
Net cash from/(used in) financing activities	<u>181,634</u>	<u>(24,228)</u>
<b>Net decrease in Cash and Cash Equivalents</b>	<u>(57,687)</u>	<u>(23,969)</u>
Effect of exchange rate fluctuations on cash held	(526)	(16,046)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>257,768</u>	<u>371,190</u>
<b>Cash and Cash Equivalents at End of Financial Year</b>	<u>199,555</u>	<u>331,175</u>

**Cash and Cash Equivalents**

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

	9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000
Deposits placed with licensed banks	169,293	246,616
Cash and bank balances	30,262	84,559
	<u>199,555</u>	<u>331,175</u>

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 September 2018**

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**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 September 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 interim single tier dividend of 2.0 sen per ordinary share in respect of the current financial year ending 31 December 2018, amounting to RM11,005,708 was paid on 20 September 2018.

The Directors do not recommend any payment of dividend for the current financial period ended 30 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. As at 30 September 2018, the outstanding loan proportionately amounted to USD3.8 million.

Subsequent to the period end, the Company extended another proportionate corporate guarantee of up to USD6.6 million for financing facilities granted by a financial institution to PT Bungasari Flour Mills Indonesia.

**10. Capital Commitments**

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	266,017	400,215

**MALAYAN FLOUR MILLS BERHAD (4260-M)****Notes to the Financial Report for the Financial Period Ended 30 September 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 feeds 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 9 months ended 30 September 2018**

	<b>Flour and grains trading RM'000</b>	<b>Poultry integration RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Total segment revenue	1,285,445	533,702	-	1,819,147
Eliminations- inter-segment	(36,557)	(28,352)	-	(64,909)
<b>Revenue from external customers</b>	<b>1,248,888</b>	<b>505,350</b>	<b>-</b>	<b>1,754,238</b>
Results from operating activities	35,057	(9,153)	73	25,977
Interest expense				(20,416)
Interest income				9,221
Share of loss of equity accounted joint venture, net of tax				(7,945)
Share of profit of equity accounted associate, net of tax				8
<b>Profit before tax</b>				<b>6,845</b>
Segments assets	1,249,728	884,323	476	2,134,527
Investment in a joint venture	57,988	-	-	57,988
Investment in an associate	-	-	1,128	1,128
<b>Total segment assets</b>	<b>1,307,716</b>	<b>884,323</b>	<b>1,604</b>	<b>2,193,643</b>

Results for 9 months ended 30 September 2017				
	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,246,796	619,774	-	1,866,570
Eliminations- inter-segment	(27,193)	(28,303)	-	(55,496)
<b>Revenue from external customers</b>	<b>1,219,603</b>	<b>591,471</b>	<b>-</b>	<b>1,811,074</b>
Results from operating activities	50,927	33,581	(44)	84,464
Interest expense				(18,511)
Interest income				10,260
Share of profit of equity accounted joint venture, net of tax				5,586
Share of loss of equity accounted associate, net of tax				(29)
<b>Profit before tax</b>				<b>81,770</b>
Segments assets	1,333,924	658,259	700	1,992,883
Investment in a joint venture	47,337	-	-	47,337
Investment in an associate	-	-	1,133	1,133
<b>Total segment assets</b>	<b>1,381,261</b>	<b>658,259</b>	<b>1,833</b>	<b>2,041,353</b>

### 13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	30.09.2018 RM'000	30.09.2017 RM'000		30.09.2018 RM'000	30.09.2017 RM'000	
Revenue	642,746	630,973	1.9%	1,754,238	1,811,074	(3.1%)
Results from operating activities	4,419	26,559	(83.4%)	25,977	84,464	(69.2%)
Profit/(Loss) before tax	(3,710)	26,502	(114.0%)	6,845	81,770	(91.6%)
Profit/(Loss) after tax	(2,828)	23,441	(112.1%)	6,022	66,510	(90.9%)
Profit/(Loss) attributable to owners of the Company	(5,186)	23,514	(122.1%)	1,179	64,573	(98.2%)

For the quarter ended 30 September 2018 (Q3 2018), the Group recorded a revenue of RM642.7 million, an increase of 1.9% from RM631.0 million registered in 30 September 2017 (Q3 2017). This was attributed to higher sales recorded in flour and grains trading segment by 4.6% but offset by decline in the poultry integration segment by 4.4%.

Despite the flour & grains trading segment generating an operating profit of RM17.5 million in Q3 2018, the Group recorded a loss before tax (LBT) amounting to RM3.7 million in Q3 2018 as compared to profit before tax (PBT) of RM26.5 million in Q3 2017. This was due to:-

- (i) Operating losses incurred in poultry integration of RM13.2 million as compared to an operating profit of RM9.1 million in Q3 2017 as a result of key factors below:-
  - a) Depressed live bird prices in Q3 2018 arising from the lowest price in the last 2 years. Impact is RM10.3 million;
  - b) Broiler production volume declined in Q3 2018 due to insufficient contract farms amidst farming losses suffered by the contract farmers, although our day-of-chicks (DOC) production volume has surpassed prior years. Impact is RM2.3 million;
  - c) Downward adjustment of fair value on biological assets. Impact is RM3.7 million; and
  - d) Lower net realised and unrealised gain on commodity & foreign exchange. Impact is RM3.8 million.
- (ii) Share of loss of equity accounted joint venture in Indonesia amounting to RM2.9 million in Q3 2018 as compared to a share of profit of RM3.4 million in Q3 2017; and
- (iii) Higher net interest expense in Q3 2018. Impact is RM1.9 million.



Revenue decreased by 3.1% to RM1,754.2 million for the financial period ended 30 September 2018 as compared to RM1,811.1 million posted in the corresponding period in the preceding year. This was mainly due to lower sales recorded in poultry integration segment in 2018 which declined by 14.6% but was partially offset by a 2.4% increase in flour and grains trading segment's sales in 2018. For the financial period ended 30 September 2018, PBT decreased by 91.6% to RM6.8 million as compared to RM81.8 million recorded in the same period in preceding year. This was predominantly due to following key factors:-

- (i) Operating loss from poultry integration amounting to RM9.2 million for the 9 months ended 30 September 2018 as compared to an operating profit of RM33.6 million in 2017:
  - a) Lower live bird prices for the financial period ended 30 September 2018. Impact is RM17.5 million;
  - b) Lower production volume of broilers due to a combination of lower DOC production volume affected by disease and insufficient contract farms. Impact is RM9.5 million;
  - c) Partially mitigated by lower production costs in 2018; and
  - d) Downward adjustment of fair value on biological assets by RM20.0 million;
- (ii) Lower operating profit in flour and grains trading segment by RM15.9 million, predominantly from first half of 2018 due to following key factors:-
  - a) Lower flour contribution margin of RM5.3 million due to higher wheat cost which was not fully passed on to customers;
  - b) Higher net realised and unrealised loss on future and option contract and foreign exchange as opposed to gain in corresponding period in 2017. Net impact is RM11.7 million.
- (iii) Share of loss suffered in equity accounted joint venture amounting to RM7.9 million in 2018 as compared to a share of profit of RM5.6 million in 2017 due to lower margins arising from competitive activities in the market coupled with the depreciation of the Indonesian Rupiah against the US Dollar.

#### **Flour and grains trading**

The flour and grains trading segment recorded a revenue of RM461.5 million in Q3 2018 as compared to RM441.4 million in Q3 2017 mainly due to better mix towards higher value products in Q3 2018. Amidst the higher revenue, the operating profit decreased slightly in Q3 2018 as a result of lower net realised and unrealised gain on future and option contracts and higher net interest expense in Q3 2018.

The flour and grains trading segment registered a revenue of RM1,248.9 million for the 9 months ended 30 September 2018, a 2.4% increase as compared to RM1,219.6 million posted in the same period of the preceding year as a result of higher sales volume and better mix towards higher value products. The segment registered a lower operating profit of RM35.1 million for the 9 months ended 30 September 2018 as compared to RM50.9 million posted in the same period in the preceding year mainly due to lower margins arising from higher wheat costs, higher net realised and unrealised loss on future and option contract and foreign exchange as opposed to gain in corresponding period in 2017 and higher net interest expense in 2018.

#### **Poultry integration**

The poultry integration segment recorded a decrease of 4.4% in revenue to RM181.2 million in Q3 2018 as compared to RM189.6 million in Q3 2017, as a result of lower production volume due to insufficient contract farms amidst low farming profits to produce broilers, although our DOC production has recovered from the Inclusion Body Hepatitis (IBH) disease in Q3 2018. This is further compounded by a 14% decline in live bird prices in Q3 2018 as compared to Q3 2017.

In Q3 2018, the poultry integration segment posted an operating loss of RM13.2 million as compared to profit of RM9.1 million in Q3 2017 mainly due to lower production volume and margins arising from depressed live bird prices in Q3 2018, higher net fair value loss on biological assets of RM7.8 million in Q3 2018 as compared to RM4.0 million in Q3 2017 as well as the lower net realised and unrealised gain on future and option contracts of RM0.3 million in Q3 2018 as compared to RM5.0 million in Q3 2017.

The poultry integration segment recorded a significant decrease of 14.6% in revenue to RM505.4 million for the 9 months ended 30 September 2018 as compared to RM591.5 million for the same period in the preceding year due to lower production volume and selling price of live birds. The segment registered an operating loss of RM9.2 million for the 9 months period ended 30 September 2018 as compared to an operating profit of RM33.6 million posted in the same period in the preceding year. The loss was mainly due to lower margins arising from lower live birds price, lower net realised and unrealised gain on future and option contracts of RM0.3 million in 2018 as compared to RM3.7 million in 2017 and the downward adjustment of fair value on biological assets by RM20.0 million in 2018. The fair value adjustment is a result of lower contribution margin which was used as a basis of valuation of biological assets.

Our DOC production volume has further improved in Q3 2018 as compared to previous quarter in Q2 2018 and surpassing prior years.

**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 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Changes %
Revenue	642,746	547,677	17.4%
Results from operating activities	4,419	14,109	(68.7%)
Profit/(Loss) before tax	(3,710)	8,105	(145.8%)
Profit/(Loss) after tax	(2,828)	6,165	(145.9%)
Profit/(Loss) attributable to owners of the Company	(5,186)	4,769	(208.7%)

For Q3 2018, the Group recorded a revenue of RM642.7 million which represented a 17.4% increase from RM547.7 million registered in the quarter ended 30 June 2018 (Q2 2018), mainly due to higher revenue recorded in flour and grains trading and poultry integration segments, largely driven by higher sales volume in Q3 2018.

The Group recorded a loss before tax of RM3.7 million in Q3 2018 as compared to a profit before tax of RM8.1 million registered in Q2 2018. Poultry integration segment incurred an operating loss of RM13.2 million in Q3 2018 as compared to an operating profit of RM2.5 million posted in Q2 2018. The loss was due to lower selling price of live bird in Q3 2018 as well as the higher net fair value loss on biological assets of RM7.8 million in Q3 2018 as compared to RM1.6 million in Q2 2018. Our equity accounted joint venture registered a lower share of loss of RM2.9 million in Q3 2018 as compared to a share of loss of RM3.6 million in Q2 2018 amidst the weakened Indonesian Rupiah against US Dollar. On the other hand, flour and grains trading segment's operating profit increased by 50.5% to RM17.5 million due to better margins arising from higher selling price in Q3 2018.

**15. Prospects**

Commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment. Despite these challenges and the problems faced by the Group in the first 9 months, the Board is of the opinion that the Group's performance will improve significantly in Q4 2018 due to the following measures undertaken by management:-

- (i) We expect an increase in our broiler production volume as more contract farmers will participate in farming our broilers as a result of improved DOC and feeds quality,
- (ii) The targeted feed conversion ratio in order to reduce our production cost has been achieved and it will be maintained,
- (iii) The mortality rate has been reduced, resulting in the increase in the broiler production volume and it will be maintained,
- (iv) An increase in feeds sales volume as a result of improvement in our feeds quality,
- (v) The IBH disease has been contained successfully resulting in the increase in the production of DOC and broilers, and
- (vi) Efforts are already in place to institute price increases in flour and grains trading segment to protect our margin that has been eroded.

**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 2018****17. Income Tax Expense/(Credit)**

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Malaysian - current year	575	(1,683)	1,228	2,157
- prior year	351	712	351	712
Overseas - current year	2,459	2,439	4,682	6,729
- prior years	-	-	222	1,537
Deferred tax - Origination and reversal of temporary difference	(4,087)	1,222	(4,361)	4,125
- (Over)/Under provision in prior year	(180)	371	(1,299)	-
	<u>(882)</u>	<u>3,061</u>	<u>823</u>	<u>15,260</u>

The Group is in a tax credit position in the current quarter due to deferred tax income recognised. 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 losses during the quarter, which was partially offset by tax incentives in Vietnam and utilisation of tax losses in Malaysia.

**18. Status of Corporate Proposals**

(a) 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 renouncee(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").

(Collectively referred to as the "Proposals")

(b) On 29 August 2018, the application in relation to the Proposed Rights Issue of RCULS has been submitted to the Securities Commission ("SC").

(c) On 30 August 2018, the listing application in relation to the Proposals has been submitted to Bursa Securities.

(d) On 3 October 2018, Bursa Securities had, vide its letter dated 3 October 2018, approved the following:

- (i) admission of up to 165,085,617 RCULS and up to 155,914,193 Free Warrants to the Official List of the Main Market of Bursa Securities; and
- (ii) listing of and quotation for the following on the Main Market of Bursa Securities:
  - (a) up to 165,085,617 RCULS at 100% of its nominal value up to RM165,085,617 to be issued pursuant to the Proposed Rights Issue of RCULS;
  - (b) up to 143,685,629 Bonus Shares to be issued pursuant to the Proposals;
  - (c) up to 155,914,193 Free Warrants to be issued pursuant to the Proposals;
  - (d) up to 366,856,926 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares;
  - (e) up to 550,285,390 new MFLOUR Shares to be issued upon the exercise of the RCULS; and
  - (f) up to 155,914,193 new MFLOUR Shares to be issued upon the exercise of the Free Warrants.

The approval of Bursa Securities for the Proposals is subject to the following conditions:

- (i) Approval by Securities Commission Malaysia for the Proposed Rights Issue of RCULS;
- (ii) The RCULS, Rights Shares, Bonus Shares and Free Warrants shall be listed and quoted simultaneously;
- (iii) MFLOUR and HLIB, the adviser for the Proposals, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;
- (iv) MFLOUR and HLIB to inform Bursa Securities upon the completion of the Proposals;

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

- (v) MFLOUR and HLIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;
- (vi) MFLOUR to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detail computation of listing fees payable; and
- (vii) To incorporate Bursa Securities' comments in respect of the draft circular to shareholders.
- (e) On 10 October 2018, Notice was given on the Company's Extraordinary General Meeting to be held on 26 October 2018, for the purpose of considering the resolutions in relation to the Proposals.
- (f) On 15 October 2018, the SC had, vide its letter dated 15 October 2018, approved the Proposed Rights Issue of RCULS under Section 214(1) of the Capital Markets & Services Act 2007, subject to the compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors.
- (g) On 26 October 2018, the Extraordinary General Meeting convened and the shareholders of the Company have approved all the resolutions as set out in the Notice of EGM dated 11 October 2018.

All the resolutions were voted by poll and on 1 November 2018, the amended results of the poll were validated by Symphony Corporatehouse Sdn. Bhd., the independent scrutineer appointed by the Company.

Besides the above proposals, there were no new proposals announced as at 2 November 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 September 2018 were as follows:

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
<b>Unsecured Long Term Borrowings</b>		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	127,244	76,194
<b>Unsecured Short Term Borrowings</b>		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	424,950	316,268
Denominated in US Dollar (i)	554,608	529,657
Denominated in Vietnamese Dong (ii)	58,923	17,836
<u>Term loans</u>		
Denominated in Ringgit Malaysia	17,610	19,360
	<u>1,056,091</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 RM554,608,000 equivalent to USD134,076,000 translated at USD/MYR rate of 4.1365 (2017: RM529,657,000, equivalent to USD130,860,000 translated at USD/MYR rate of 4.0475); and
- (ii) Denominated in VND of RM58,923,000, equivalent to VND332,898 million translated at VND/MYR rate of 5,650 (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 September 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		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company	(5,186)	23,514	1,179	64,573
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	550,285	550,285	550,285	550,265
Dilutive potential ordinary shares - Assumed exercise of Warrants	-	-	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	N/A	N/A	N/A	550,265
Basic earnings/(loss) per ordinary share (sen)	(0.94)	4.27	0.21	11.73
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	11.73

**(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 September 2018.

The Company does not have any diluted earnings per share as at 30 September 2017, upon the expiry of the Warrants on 9 May 2017.

**22. Profit for the period**

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Amortisation and depreciation	14,957	13,469	42,661	39,716
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans	8,034	6,516	20,416	18,511
Net realised loss on future and option contracts	264	1,197	-	9,187
Net unrealised loss on foreign exchange	2,410	1,439	1,987	4,036
Net realised loss on foreign exchange	3,144	1,023	5,508	1,649
Net fair value loss on biological assets	7,753	4,041	14,352	-
Property, plant and equipment written off	5	7	7	62
Loss on disposal of property, plant and equipment	22	-	9	-
Impairment loss of trade receivables	1,871	-	3,679	278
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	2,685	3,124	9,118	10,260
- trade debtors	99	-	103	-
Bad debts recovered	1	-	26	-
Insurance recoveries	15	1,020	1,242	1,527
Gain on disposal of property, plant and equipment	-	51	-	92
Net unrealised gain on future and option contracts	2,705	10,354	2,022	17,229
Net realised gain on future and option contracts	-	-	1,609	-
Net fair value gain on biological assets	-	-	-	5,624
Reversal of impairment loss of trade receivables	430	189	1,183	447

**23. Derivatives****(a) Contract and fair value of derivatives**

	As at 30.09.2018		As at 31.12.2017	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
<b>Derivative financial asset</b>				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	467,507	468,669	-	-
- Future and option contracts	30,359	28,456	-	-
<b>Derivative financial liability</b>				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	367,224	361,484
- Future and option contracts	-	-	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:

	9 months ended 30.09.2018		9 months ended 30.09.2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(3,310)	3,310	(5,098)	5,098

**(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		9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	(3,291)	685	6,705	(18,744)
- future and option contracts	2,440	9,158	3,631	8,042
Loan and receivables	1,343	3,372	6,725	10,429
Financial assets/(liabilities) measured at amortised cost	(10,297)	(9,663)	(34,616)	(5,452)
	(9,805)	3,552	(17,555)	(5,725)

For the 9 months ending 30 September 2018, the net losses are mainly due to interest expenses on borrowings, net realised and unrealised loss on foreign exchange and impairment loss of trade receivables but partially offset by interest income, net realised and unrealised gain on future and option contracts and reversal of impairment loss of trade receivables.

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  
8 November 2018