

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
As at 31 March 2019

	(Unaudited) As at 31.03.2019 RM '000	(Audited) As at 31.12.2018 RM '000
<b>Assets</b>		
Property, plant and equipment	978,996	984,718
Intangible assets	2,332	2,577
Investment properties	5,096	5,110
Right-of-use assets	49,225	-
Investment in a joint venture	73,150	61,033
Investment in an associate	1,104	1,113
Deferred tax assets	10,394	6,710
<b>Total non-current assets</b>	<b>1,120,297</b>	<b>1,061,261</b>
Trade and other receivables, including derivatives	412,935	413,189
Prepayments and other assets	6,129	5,546
Inventories	487,167	468,728
Biological assets	60,413	54,906
Current tax assets	4,351	4,100
Cash and cash equivalents	147,294	168,832
<b>Total current assets</b>	<b>1,118,289</b>	<b>1,115,301</b>
<b>Total assets</b>	<b>2,238,586</b>	<b>2,176,562</b>
<b>Equity</b>		
Share capital	514,745	377,501
Reserves	467,282	442,449
RCULS - Equity component	96,236	-
<b>Total equity attributable to owners of the Company</b>	<b>1,078,263</b>	<b>819,950</b>
<b>Non-controlling interests</b>	<b>75,587</b>	<b>74,223</b>
<b>Total equity</b>	<b>1,153,850</b>	<b>894,173</b>
<b>Liabilities</b>		
Deferred tax liabilities	5,834	9,788
RCULS - Liability component	22,085	-
Lease liabilities	5,304	-
Loans and borrowings	167,079	151,061
<b>Total non-current liabilities</b>	<b>200,302</b>	<b>160,849</b>
RCULS - Liability component	6,252	-
Lease liabilities	2,394	-
Trade and other payables, including derivatives	157,825	142,189
Loans and borrowings	714,157	975,359
Current tax liabilities	3,806	3,992
<b>Total current liabilities</b>	<b>884,434</b>	<b>1,121,540</b>
<b>Total liabilities</b>	<b>1,084,736</b>	<b>1,282,389</b>
<b>Total equity and liabilities</b>	<b>2,238,586</b>	<b>2,176,562</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.10</b>	<b>1.49</b>

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
For the financial period ended 31 March 2019

	Note	Financial Period Ended	
		31.03.2019 RM '000	31.03.2018 RM '000
<b>Revenue</b>		<b>635,171</b>	563,815
Cost of goods sold		<b>(569,499)</b>	(508,598)
<b>Gross profit</b>		<b>65,672</b>	55,217
Operating expenses		<b>(41,793)</b>	(47,768)
<b>Results from operating activities</b>		<b>23,879</b>	7,449
Interest expense		<b>(7,305)</b>	(6,779)
Interest income		<b>2,266</b>	3,308
<b>Net finance expenses</b>		<b>(5,039)</b>	(3,471)
Share of profit/(loss) of equity accounted joint venture, net of tax		<b>7,037</b>	(1,524)
Share of loss of equity accounted associate, net of tax		<b>(2)</b>	(4)
<b>Profit before tax</b>		<b>25,875</b>	2,450
Tax (expense)/credit	17	<b>(3,963)</b>	235
<b>Profit for the period</b>		<b>21,912</b>	2,685
<b>Profit attributable to:</b>			
Owners of the Company		<b>19,873</b>	1,596
Non-controlling interests		<b>2,039</b>	1,089
<b>Profit for the period</b>		<b>21,912</b>	2,685
<b>Basic earnings per ordinary share (sen)</b>	21	<b>2.41</b>	0.29
<b>Diluted earnings per ordinary share (sen)</b>	21	<b>1.83</b>	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the financial period ended 31 March 2019

	Financial Period Ended	
	31.03.2019	31.03.2018
	RM '000	RM '000
<b>Profit for the period</b>	21,912	2,685
<b>Other comprehensive income/(expense), net of tax</b>		
Foreign currency translation differences for foreign operations	(3,859)	(16,771)
<b>Total comprehensive income/(expense) for the period</b>	<u>18,053</u>	<u>(14,086)</u>
<b>Total comprehensive income/(expense) attributable to:</b>		
Owners of the Company	16,689	(12,913)
Minority interests	1,364	(1,173)
<b>Total comprehensive income/(expense) for the period</b>	<u>18,053</u>	<u>(14,086)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial period ended 31 March 2019

	Attributable to Owners of the Company					Distributable			
	Share Capital RM '000	Redeemable convertible unsecured loan stocks ("RCULS") - Equity component RM '000	Warrant reserve RM '000	Other capital reserve RM '000	Translation reserve RM '000	Retained Earnings RM '000	Total RM '000	Non-controlling interests RM '000	Total Equity RM '000
<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	-	-	-	-	(1,863)	17,776	15,913	9,918	25,831
Dividends to owners of the Company	-	-	-	-	-	(30,266)	(30,266)	-	(30,266)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(5,256)	(5,256)
Changes of ownership interest in subsidiaries	-	-	-	-	-	(313)	(313)	(3,087)	(3,400)
<b>Balance at 31.12.2018</b>	<b>377,501</b>	<b>-</b>	<b>-</b>	<b>40,883</b>	<b>(42,223)</b>	<b>443,789</b>	<b>819,950</b>	<b>74,223</b>	<b>894,173</b>
<b>Balance at 1.1.2019</b>	377,501	-	-	40,883	(42,223)	443,789	819,950	74,223	894,173
Total comprehensive income for the year	-	-	-	-	(3,184)	19,873	16,689	1,364	18,053
Rights shares issued	110,057	-	-	-	-	-	110,057	-	110,057
Issuance of RCULS	-	137,704	-	-	-	-	137,704	-	137,704
Shares and RCULS issuance expenses	(896)	(1,345)	-	-	-	-	(2,241)	-	(2,241)
Issuance of warrants	(7,154)	(10,730)	17,884	-	-	-	-	-	-
Conversion of RCULS	35,237	(29,393)	-	-	-	-	5,844	-	5,844
Dividends to owners of the Company	-	-	-	-	-	(9,740)	(9,740)	-	(9,740)
<b>Balance at 31.3.2019</b>	<b>514,745</b>	<b>96,236</b>	<b>17,884</b>	<b>40,883</b>	<b>(45,407)</b>	<b>453,922</b>	<b>1,078,263</b>	<b>75,587</b>	<b>1,153,850</b>

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the financial period ended 31 March 2019

	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	25,875	2,450
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	15,050	13,193
Amortisation of right-of-use assets	912	-
Gain on disposal of property, plant and equipment	(97)	(10)
Interest expense	7,305	6,779
Interest income	(2,266)	(3,308)
Property, plant and equipment written off	1	1
Share of (profit)/loss of equity accounted joint venture, net of tax	(7,037)	1,524
Share of loss of equity accounted associate, net of tax	2	4
Net unrealised (gain)/loss on foreign exchange	(1,639)	719
Operating profit before changes in working capital	<u>38,106</u>	21,352
Inventories	(21,264)	95,668
Biological assets	(5,507)	4,081
Trade and other receivables, prepayments and other financial assets	(1,555)	(9,788)
Trade and other payables and other financial liabilities	<u>18,349</u>	(3,416)
Cash generated from operations	<u>28,129</u>	107,897
Net income tax paid	(5,203)	(2,720)
Interest received	2,266	3,308
Interest paid	(7,305)	(6,779)
Net cash generated from operating activities	<u>17,887</u>	101,706
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment and intangible assets	(52,275)	(64,851)
Increase in investment in a joint venture	(5,407)	(8,119)
Proceeds from disposal of property, plant and equipment	126	10
Net cash used in investing activities	<u>(57,556)</u>	(72,960)
<b>Cash Flows From Financing Activities</b>		
Dividends paid to owners of the Company	(9,740)	(19,260)
Net repayment of loans and borrowings	(242,635)	(18,448)
Payment of lease liabilities	(602)	-
Proceeds from issuance of shares pursuant to the Rights Issue of Shares	110,057	-
Proceeds from issuance of Redeemable Convertible Unsecured Loan Stocks ("RCULS")	165,085	-
Shares and RCULS issuance expenses	(2,241)	-
Net cash from/(used in) financing activities	<u>19,924</u>	(37,708)
<b>Net decrease in Cash and Cash Equivalents</b>	<u>(19,745)</u>	(8,962)
Effect of exchange rate fluctuations on cash held	(1,793)	(10,798)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>168,832</u>	257,768
<b>Cash and Cash Equivalents at End of Financial Year</b>	<u>147,294</u>	238,008

**Cash and Cash Equivalents**

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

	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Deposits placed with licensed banks	125,526	214,201
Cash and bank balances	21,768	23,807
	<u>147,294</u>	238,008

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**1. Basis of preparation**

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2018 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 2018, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2019 which are applicable to the Group. The adoption of these standards, amendments and IC interpretation have no material impact on this Condensed Report, except for the following:

**MFRS 16, Leases**

The Group has adopted MFRS 16, *Leases* beginning from 1 January 2019.

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has adopted the modified retrospective approach and elected to measure the right-of-use at an amount equal to the lease liability at the date of initial application.

**(a) Lease definition:**

The Group now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In the previous year, leases were classified as operating or finance leases based on the assessment of whether the leases transferred substantially all of the risks and rewards of ownership.

**(b) Recognition and measurement of right-of-use assets and lease liability:**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease, or in the event the rate cannot be readily determined, the Group's incremental borrowing rate is used. Subsequently, the lease liability is increased to reflect interest cost on the lease liability and reduced to reflect the lease payments made. Remeasurement of the carrying amount is made to reflect any reassessment or lease modifications.

The Group has elected not to recognise right-of-use assets and lease liability for short-term leases and leases of low-value items and has exercised judgment in determining the lease term for certain lease contracts which include renewal options. For the short-term leases and leases of low-value items, the lease payments are charged as an expense on a straight-line over the lease term.

	<b>Impact of adoption of MFRS 16 on 1 January 2019 RM'000</b>
Right-of-use assets	50,180
Leasehold land	(41,880)
Lease liabilities - long-term	(5,844)
Lease liabilities - short-term	(2,456)

**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**

**Rights Issue with Bonus Shares and Free Warrants**

During the current quarter, the Company issued the following Redeemable Convertible Unsecured Loan Stocks ("RCULS"), new ordinary shares and warrants which were listed on the Main Market of Bursa Securities on 28 January 2019:

- (a) 165,084,641 5-year 5% RCULS at a nominal value of RM1.00 each on the basis of 3 RCULS for every 10 existing ordinary shares together with Bonus Shares A on the basis of 1 Bonus Share A for every 2 RCULS subscribed and Free Warrants A on the basis of 1 Free Warrant A for every 2 RCULS subscribed ["Rights Issue of RCULS"]. The conversion price of the RCULS is RM0.50 each;
- (b) 220,113,744 new ordinary shares ("Rights Shares") on the basis of 2 Rights Shares for every 5 existing ordinary shares together with Bonus Shares B on the basis of 1 Bonus Share B for every 4 Rights Shares subscribed and Free Warrants B on the basis of 1 Free Warrant B for every 4 Rights Shares subscribed, at the issue price of RM0.50 per Rights Share ["Rights Issue of Shares"];
- (c) 137,570,667 new ordinary shares ("Bonus Shares A and B") credited as fully-paid up pursuant to the Rights Issue of RCULS and Rights Issue of Shares;
- (d) 137,570,667 free warrants ("Free Warrants A and B") pursuant to the Rights Issue of RCULS and Rights Issue of Shares. Free Warrants A and B ("Warrants") form the same series and is governed by the same terms and conditions as constituted by a deed poll. Each Warrant entitles the warrant holder to subscribe for 1 new ordinary share at the exercise price of RM0.68 each during the 5-year period expiring on 23 January 2024 ("Exercise Period"), subject to adjustments in accordance with the provisions of the deed poll. Warrants not exercised during the Exercise Period shall lapse.

During the current quarter, the issued ordinary shares of the Company increased to 978,443,441 ordinary shares following the issuance and allotment of 70,473,640 new ordinary shares arising from the conversion of RM35,236,820 nominal value of RCULS at the conversion price of RM0.50 each. The conversion price is satisfied by surrendering the equivalent nominal value of RCULS for cancellation. As at 31 March 2019, the outstanding nominal value of RCULS is RM129,847,821.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ended 31 March 2019.

**7. Dividend**

The second interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2018, amounting to RM9,740,348 was paid on 29 March 2019.

The Directors do not recommend any payment of dividend for the current financial period ended 31 March 2019.

**8. Events After the Reporting Period**

Subsequent to the end of the financial period, the Company increased its investment in the joint venture company, PT Bungasari Flour Mills Indonesia by subscribing additional 4,140 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share for a cash consideration of RM17,032,000 (equivalent to USD4,140,000). Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

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 proportionate corporate guarantees of up to USD12.6 million for financing facilities granted by financial institutions to the joint venture company, PT Bungasari Flour Mills Indonesia. As at 31 March 2019, the outstanding loans proportionately amounted to USD5.8 million.

In 2017, the Indonesian tax authority having performed tax audit in relation to its value-added tax ("VAT") has issued a notification letter imposing a total sum of RM17.1 million (additional tax assessment of RM8.55 million and penalty of RM8.55 million) on PT Bungasari on the basis of overclaimed VAT for the year 2015. In 2018, the Indonesian tax authority has issued another notification letter imposing a total sum of RM16.8 million (additional tax assessment of RM8.4 million and penalty of RM8.4 million) on PT Bungasari on the basis of overclaimed VAT for the year 2016. The Group's 30% share of the potential liabilities are RM5.1 million and RM5.0 million for the years 2015 and 2016 respectively.

PT Bungasari submitted objection letters against the VAT notification letters, accompanied by a sum of RM8.7 million payment to the tax authority. PT Bungasari has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. On that basis, the Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities up to the reporting date and the payment of RM8.7 million will be recoverable.

**10. Capital Commitments**

	As at 31.03.2019	As at 31.12.2018
<b>Property, plant and equipment</b>	RM'000	RM'000
Contracted but not provided for	<u>189,110</u>	<u>233,427</u>

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 31 March 2019**

**11. Changes in Composition of the Group**

On 14 March 2019, the Company increased its investment in the joint venture company, PT Bungasari Flour Mills Indonesia by subscribing additional 1,320 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share for a cash consideration of RM5,407,000 (equivalent to USD1,320,000). Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

**12. Segmental Information**

**Results for 3 months ended 31 March 2019**

	<b>Flour and grains trading</b>	<b>Poultry integration</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total segment revenue	469,294	188,140	-	657,434
Eliminations- inter-segment	(14,669)	(7,594)	-	(22,263)
<b>Revenue from external customers</b>	<b>454,625</b>	<b>180,546</b>	<b>-</b>	<b>635,171</b>
Results from operating activities	22,012	1,855	12	23,879
Interest expense				(7,305)
Interest income				2,266
Share of profit of equity accounted joint venture, net of tax				7,037
Share of loss of equity accounted associate, net of tax				(2)
<b>Profit before tax</b>				<b>25,875</b>
Segments assets	1,181,118	982,697	517	2,164,332
Investment in a joint venture	73,150	-	-	73,150
Investment in an associate	-	-	1,104	1,104
<b>Total segment assets</b>	<b>1,254,268</b>	<b>982,697</b>	<b>1,621</b>	<b>2,238,586</b>

**Results for 3 months ended 31 March 2018**

	<b>Flour and grains trading</b>	<b>Poultry integration</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total segment revenue	412,282	169,010	-	581,292
Eliminations- inter-segment	(6,252)	(11,225)	-	(17,477)
<b>Revenue from external customers</b>	<b>406,030</b>	<b>157,785</b>	<b>-</b>	<b>563,815</b>
Results from operating activities	5,855	1,550	44	7,449
Interest expense				(6,779)
Interest income				3,308
Share of loss of equity accounted joint venture, net of tax				(1,524)
Share of loss of equity accounted associate, net of tax				(4)
<b>Profit before tax</b>				<b>2,450</b>
Segments assets	1,149,438	750,969	462	1,900,869
Investment in a joint venture	50,216	-	-	50,216
Investment in an associate	-	-	1,078	1,078
<b>Total segment assets</b>	<b>1,199,654</b>	<b>750,969</b>	<b>1,540</b>	<b>1,952,163</b>



**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 31 March 2019**

**13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes
	31.03.2019	31.03.2018	
	RM'000	RM'000	%
Revenue	635,171	563,815	12.7%
Results from operating activities	23,879	7,449	220.6%
Profit before tax	25,875	2,450	956.1%
Profit after tax	21,912	2,685	716.1%
Profit attributable to owners of the Company	19,873	1,596	1145.2%

For the quarter ended 31 Mar 2019 (Q1 2019), the Group recorded a revenue of RM635.2 million, an increase of 12.7% from RM563.8 million registered in the same quarter ended 31 March 2018 (Q1 2018). This was attributed to higher sales recorded in flour and grains trading segment by 12.0% and the poultry integration segment by 14.4%.

Both the flour and grains trading and poultry integration segments recorded higher operating profit, amounting to RM22.0 million and RM1.9 million respectively in Q1 2019 as compared to the same quarter last year. With this, the Group achieved a profit before tax (PBT) of RM25.9 million in Q1 2019, surpassing the PBT of RM2.5 million in Q1 2018. This was attributable to:-

- (i) Flour and grains trading segment's operating profit increased by 276.0% from RM5.9 million in Q1 2018 to RM22.0 million in Q1 2019, driven by higher selling price to offset increased commodities cost to protect margin. Amidst the price increase, demand for flour and grains remained healthy.
- (ii) Poultry integration segment's operating profit increased by 19.7% from RM1.6 million in Q1 2018 to RM1.9 million in Q1 2019, mainly as a result of key factors below:-
  - a) Broiler production volume is higher in Q1 2019 as compared to that of Q1 2018 as a result of higher day-old-chicks (DOC) production volume in Q1 2019. Consequently, higher sales volume of live bird and poultry processed products is recorded in Q1 2019; and
  - b) Lower margin on the sales of live birds due to decrease in live birds prices and higher costs in Q1 2019 as compared to Q1 2018; and
  - c) Downward adjustment of fair value on biological assets in Q1 2019 which amounted to RM1.0 million as compared to RM5.0 million in Q1 2018. Impact is lower fair value loss of RM4.0 million in Q1 2019;
- (iii) The Q1 2019 PBT was further attributable to:
  - a) In Q1 2019, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM7.0 million as compared to a share of loss of RM1.5 million in Q1 2018. The higher share of profit in Q1 2019 is attributable to higher margins arising from higher selling prices and forex gains resulting from a stronger Indonesian Rupiah against the US Dollar in Q1 2019.
  - b) Higher net interest expense in Q1 2019 amidst the higher interest rates environment in Q1 2019 as compared to Q1 2018 but was partially mitigated by the interest cost savings arising from the repayment of revolving credit loans using the proceeds raised from the Rights Issue, which was completed on 28 January 2019. Impact is RM1.6 million.

**Flour and grains trading**

The flour and grains trading segment recorded a 12.0% increase in revenue to RM454.6 million in Q1 2019 as compared to RM406.0 million in Q1 2018 mainly due to higher selling price for flour and grains in Q1 2019 whilst the demand remained healthy, attributable to improvement in quality consistency of our products. The operating profit of this segment increased by 276.0% from RM5.9 million in Q1 2018 to RM22.0 million in Q1 2019 attributable to higher margins led by higher selling price, mitigating the increase in raw materials cost.

**Poultry integration**

The poultry integration segment recorded an increase of 14.4% in revenue to RM180.5 million in Q1 2019 as compared to RM157.8 million in Q1 2018, as a result of higher sales volume of live bird and poultry processed products attributable to recovery from the production performance issues.

In Q1 2019, the poultry integration segment posted an operating profit of RM1.9 million as compared to a profit of RM1.6 million in Q1 2018. The lower margin arising from the lower live birds selling prices in Q1 2019 partially offset the gains arising from the higher sales volume. Nonetheless, a lower fair value loss on biological assets is recorded in Q1 2019, amounting to RM1.0 million as compared to a loss of RM5.0 million in Q1 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 31.03.2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Changes %
Revenue	635,171	669,536	(5.1%)
Results from operating activities	23,879	39,125	(39.0%)
Profit before tax	25,875	33,088	(21.8%)
Profit after tax	21,912	21,444	2.2%
Profit attributable to owners of the Company	<u>19,873</u>	<u>16,597</u>	<u>19.7%</u>

In Q1 2019, the Group recorded a revenue of RM635.2 million which represented a 5.1% decrease from RM669.5 million registered in the quarter ended 31 December 2018 (Q4 2018), arising from lower revenue across the board, largely driven by lower sales volume which more than offset the higher selling prices in Q1 2019 for both flour and poultry processed products.

The Group recorded a profit before tax of RM25.9 million in Q1 2019 as compared to a profit before tax of RM33.1 million registered in Q4 2018. Both flour and grains trading and poultry integration segments recorded lower operating profit in Q1 2019 as compared to Q4 2018.

Flour and grains trading's operating profit decreased by 28.6% in Q1 2019, from RM30.8 million in Q4 2018 to RM22.0 million in Q1 2019 mainly attributable to compressed margins in the grains trading business. Poultry integration segment generated a lower operating profit of RM1.9 million in Q1 2019 as compared to an operating profit of RM8.2 million in Q4 2018. The fair value loss on biological assets amounted to RM1.0 million in Q1 2019 as compared to fair value gain of RM5.9 million in Q4 2018. This offset the profits generated from improved margin of live birds and poultry processed products amidst the higher selling prices.

Our equity accounted joint venture registered a share of profit of RM7.0 million in Q1 2019 as compared to a share of profit of RM1.0 million in Q4 2018 due to higher margins as a result of pricing action and net realised and unrealised gain on foreign exchange in Q1 2019 as the Indonesian Rupiah gained strength against US Dollar in Q1 2019.

**15. Prospects**

Commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment. Despite these uncertainties and the competitive market environment, the Board expects the Group's performance in 2019 to remain favourable due to the following measures undertaken by management:-

- (i) Efforts are already in place to institute price increases in flour and grains trading segment to protect our margin that has been eroded;
- (ii) Efforts are undertaken to improve feeds quality, DOC and broiler production volume, reduce production costs through better feed conversion ratio and lower mortality.

**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/(Credit)**

	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Current income tax		
- current year	4,794	1,157
- prior year	6	187
Deferred tax		
- Origination and reversal of temporary difference	(837)	(460)
- Over provision in prior year	-	(1,119)
	<u>3,963</u>	<u>(235)</u>

Excluding the share of profit of equity accounted joint venture, the Group's effective tax rate for the income tax expense during the quarter ended 31 March 2019 is higher than the Malaysia statutory tax rate of 24% mainly due to tax losses in Malaysia but partially offset by tax incentives in Vietnam.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 31 March 2019**

**18. Status of Corporate Proposals**

- (a) There were no new proposals announced as at 18 May 2019, the latest practicable date which is not earlier than seven (7) days from the date of this report.
- (b) The status of the utilisation of proceeds from the Rights Issue is as follows:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM' million	<u>As at 31 March 2019</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation Over spent</u>	
		<u>Actual Utilisation</u> RM' million	<u>Balance Unutilised</u> RM' million		<u>RM' million</u>	<u>%</u>
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	185.37	31.39	Within 2 years	-	-
Repayment of revolving credit loans drawn to finance working capital requirement	54.80	54.80	-	Within 1 year	-	-
Estimated expenses for the Rights Issue *	3.58	3.58	0.00	Within 1 month	-	-
	<u>275.14</u>	<u>243.75</u>	<u>31.39</u>		<u>-</u>	

\* From the funds allocated for the estimated expenses of RM3.58 million, underwriting commissions totalling RM2.24 million has been paid and the excess of RM1.34 million was used for the working capital of the Group.

**19. Group's Borrowings and Debt Securities**

The details of the Group's borrowings as at 31 March 2019 were as follows:

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
<b>Unsecured Long Term Borrowings</b>		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	<u>167,079</u>	<u>151,061</u>
<b>Unsecured Short Term Borrowings</b>		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	270,002	402,661
Denominated in US Dollar (i)	392,378	503,157
Denominated in Vietnamese Dong (ii)	27,667	53,681
<u>Term loans</u>		
Denominated in Ringgit Malaysia	<u>24,110</u>	<u>15,860</u>
	<u>714,157</u>	<u>975,359</u>

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

- (i) Denominated in USD of RM392,378,000 equivalent to USD96,053,000 translated at USD/MYR rate of 4.0850 (2018: RM503,157,000, equivalent to USD121,653,000 translated at USD/MYR rate of 4.1360); and
- (ii) Denominated in VND of RM27,667,000, equivalent to VND157,469 million translated at VND/MYR rate of 5,691 (2018: RM53,681,000, equivalent to VND301,698 million translated at VND/MYR rate of 5,620)

The details of the Group's debt securities as at 31 March 2019 were as follows:

	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
<b>RCULS - Liability component</b>		
Non-current	22,085	-
Current	6,252	-
	<u>28,337</u>	<u>-</u>

**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 31 March 2019**

**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	
	31.03.2019 RM'000	31.03.2018 RM'000
Profit attributable to ordinary shareholders of the Company	19,873	1,596
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	824,247	550,285
Dilutive potential ordinary shares		
- Assumed conversion of RCULS	259,695	-
- Assumed conversion of Warrants	-	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,083,942	N/A
Basic earnings per ordinary share (sen)	2.41	0.29
Diluted earnings per ordinary share (sen)	1.83	N/A

**(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 RCULS and Warrants. However, 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 dilutive earnings per ordinary share.

The Company did not have any diluted earnings per share as at 31 March 2018.

**22. Profit for the period**

	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	15,050	13,193
Amortisation of right-of-use assets	912	-
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities	7,305	6,779
Net realised loss on future and option contracts	182	-
Net unrealised loss on future and option contracts	1,272	-
Net unrealised loss on foreign exchange	-	719
Net realised loss on foreign exchange	216	1,115
Net fair value loss on biological assets	979	4,992
Property, plant and equipment written off	1	1
Impairment loss of trade receivables	250	785
and after crediting:		
Interest income from:		
- deposits placed with licensed banks	2,266	3,304
- trade debtors	-	4
Bad debts recovered	-	25
Insurance recoveries	735	863
Gain on disposal of property, plant and equipment	97	10
Net unrealised gain on future and option contracts	-	273
Net realised gain on future and option contracts	-	483
Net unrealised gain on foreign exchange	1,639	-
Reversal of impairment loss of trade receivables	289	32

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 31 March 2019**

**23. Derivatives**

**(a) Contract and fair value of derivatives**

	As at 31.03.2019		As at 31.12.2018	
	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	172,559	172,593	-	-
- Future and option contracts	(30)	332	607	1,227
<b>Derivative financial liability</b>				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	195,642	194,418	436,441	432,819
- Future and option contracts	35,558	34,327	(2,602)	(2,819)

**(b) Foreign currency risk**

*Currency risk sensitivity analysis*

A 5 percent (2018: 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:

	3 months ended 31.03.2019		3 months ended 31.03.2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(919)	919	(4,528)	4,528

**(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 2018.

**24. Net gains and losses arising from financial instruments**

	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Net (losses)/gains on:		
Financial assets/(liabilities) at fair value through profit or loss:		
Mandatorily required by MFRS 9		
- foreign currency forward contracts	2,433	1,092
- future and option contracts	(1,454)	756
Financial assets at amortised cost	2,304	2,555
Financial liabilities measured at amortised cost	(8,315)	(9,704)
	<u>(5,032)</u>	<u>(5,301)</u>
Net gain/(loss) on impairment of financial instruments:		
- financial assets at amortised cost	39	(753)

For the 3 months ending 31 March 2019, the net losses are mainly due to interest expenses on borrowings and net realised and unrealised loss on future and option contracts but partially offset by interest income and net realised and unrealised gain on foreign currency forward 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  
24 May 2019