

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
As at 30 June 2019

	(Unaudited) As at 30.06.2019 RM '000	(Audited) As at 31.12.2018 RM '000
<b>Assets</b>		
Property, plant and equipment	993,400	984,718
Intangible assets	2,092	2,577
Investment properties	5,082	5,110
Right-of-use assets	48,721	-
Investment in a joint venture	94,911	61,033
Investment in an associate	1,097	1,113
Deferred tax assets	9,553	6,710
<b>Total non-current assets</b>	<b>1,154,856</b>	<b>1,061,261</b>
Trade and other receivables, including derivatives	421,386	413,189
Prepayments and other assets	5,404	5,546
Inventories	483,958	468,728
Biological assets	60,031	54,906
Current tax assets	3,848	4,100
Cash and cash equivalents	246,594	168,832
<b>Total current assets</b>	<b>1,221,221</b>	<b>1,115,301</b>
<b>Total assets</b>	<b>2,376,077</b>	<b>2,176,562</b>
<b>Equity</b>		
Share capital	526,467	377,501
Reserves	470,250	442,449
RCULS - Equity component	86,617	-
<b>Total equity attributable to owners of the Company</b>	<b>1,083,334</b>	<b>819,950</b>
<b>Non-controlling interests</b>	<b>76,928</b>	<b>74,223</b>
<b>Total equity</b>	<b>1,160,262</b>	<b>894,173</b>
<b>Liabilities</b>		
Deferred tax liabilities	1,075	9,788
RCULS - Liability component	20,749	-
Lease liabilities	5,029	-
Loans and borrowings	213,385	151,061
<b>Total non-current liabilities</b>	<b>240,238</b>	<b>160,849</b>
RCULS - Liability component	5,688	-
Lease liabilities	2,365	-
Trade and other payables, including derivatives	119,217	142,189
Loans and borrowings	845,795	975,359
Current tax liabilities	2,512	3,992
<b>Total current liabilities</b>	<b>975,577</b>	<b>1,121,540</b>
<b>Total liabilities</b>	<b>1,215,815</b>	<b>1,282,389</b>
<b>Total equity and liabilities</b>	<b>2,376,077</b>	<b>2,176,562</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.08</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 30 June 2019

	Note	3 months ended		Financial Period Ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>		<b>625,516</b>	547,677	<b>1,260,687</b>	1,111,492
Cost of goods sold		<b>(578,138)</b>	(487,621)	<b>(1,147,637)</b>	(996,219)
<b>Gross profit</b>		<b>47,378</b>	60,056	<b>113,050</b>	115,273
Operating expenses		<b>(41,627)</b>	(45,947)	<b>(83,420)</b>	(93,715)
<b>Results from operating activities</b>		<b>5,751</b>	14,109	<b>29,630</b>	21,558
Interest expense		<b>(7,577)</b>	(5,603)	<b>(14,882)</b>	(12,382)
Interest income		<b>2,118</b>	3,129	<b>4,384</b>	6,437
<b>Net finance expenses</b>		<b>(5,459)</b>	(2,474)	<b>(10,498)</b>	(5,945)
Share of profit/(loss) of equity accounted joint venture, net of tax		<b>3,103</b>	(3,556)	<b>10,140</b>	(5,080)
Share of (loss)/profit of equity accounted associate, net of tax		<b>(13)</b>	26	<b>(15)</b>	22
<b>Profit before tax</b>		<b>3,382</b>	8,105	<b>29,257</b>	10,555
Tax expense	17	<b>1,212</b>	(1,940)	<b>(2,751)</b>	(1,705)
<b>Profit for the period</b>		<b>4,594</b>	6,165	<b>26,506</b>	8,850
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		<b>(580)</b>	4,769	<b>19,293</b>	6,365
Non-controlling interests		<b>5,174</b>	1,396	<b>7,213</b>	2,485
<b>Profit for the period</b>		<b>4,594</b>	6,165	<b>26,506</b>	8,850
<b>Basic (loss)/earnings per ordinary share (sen)</b>	21	<b>(0.06)</b>	0.87	<b>2.11</b>	1.16
<b>Diluted earnings per ordinary share (sen)</b>	21	<b>0.01</b>	N/A	<b>1.55</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 30 June 2019

	3 months ended		Financial Period Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM '000	RM '000	RM '000	RM '000
<b>Profit for the period</b>	<b>4,594</b>	6,165	<b>26,506</b>	8,850
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	<b>4,032</b>	10,579	<b>173</b>	(6,192)
<b>Total comprehensive income for the period</b>	<b>8,626</b>	16,744	<b>26,679</b>	2,658
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>2,968</b>	13,481	<b>19,657</b>	568
Minority interests	<b>5,658</b>	3,263	<b>7,022</b>	2,090
<b>Total comprehensive income for the period</b>	<b>8,626</b>	16,744	<b>26,679</b>	2,658

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 30 June 2019

	Attributable to Owners of the Company					Retained Earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total Equity RM '000
	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				
<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	-	-	-	-	364	19,293	19,657	7,022	26,679
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	46,958	(39,012)	-	-	-	-	7,946	-	7,946
Issuance of shares pursuant to the exercise of warrants	1	-	-	-	-	-	1	-	1
Dividends to owners of the Company	-	-	-	-	-	(9,740)	(9,740)	-	(9,740)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(4,317)	(4,317)
<b>Balance at 30.6.2019</b>	<b>526,467</b>	<b>86,617</b>	<b>17,884</b>	<b>40,883</b>	<b>(41,859)</b>	<b>453,342</b>	<b>1,083,334</b>	<b>76,928</b>	<b>1,160,262</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 30 June 2019

	6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	29,257	10,555
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	31,811	27,704
Amortisation of right-of-use assets	1,758	-
Gain on disposal of property, plant and equipment	(274)	(13)
Interest expense	14,882	12,382
Interest income	(4,384)	(6,437)
Property, plant and equipment and intangible assets written off	86	2
Share of (profit)/loss of equity accounted joint venture, net of tax	(10,140)	5,080
Share of loss/(profit) of equity accounted associate, net of tax	15	(22)
Net unrealised gain on foreign exchange	(490)	(423)
Operating profit before changes in working capital	<u>62,521</u>	<u>48,828</u>
Inventories	(16,379)	112,145
Biological assets	(5,125)	(1,095)
Trade and other receivables, prepayments and other financial assets	(7,771)	30,382
Trade and other payables and other financial liabilities	<u>(20,715)</u>	<u>(8,613)</u>
Cash generated from operations	12,531	181,647
Net income tax paid	(9,168)	(4,532)
Interest received	4,384	6,437
Interest paid	<u>(14,225)</u>	<u>(12,382)</u>
Net cash (used in)/generated from operating activities	<u>(6,478)</u>	<u>171,170</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment and intangible assets	(82,533)	(157,871)
Increase in investment in a joint venture	(22,439)	(12,996)
Proceeds from disposal of property, plant and equipment	325	26
Net cash used in investing activities	<u>(104,647)</u>	<u>(170,841)</u>
<b>Cash Flows From Financing Activities</b>		
Dividends paid to owners of the Company	(9,740)	(19,260)
Dividends paid to non-controlling interests	(4,317)	(5,256)
Net (repayment of)/proceeds from loans and borrowings	(68,315)	17,073
Payment of lease liabilities	(1,223)	-
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)	-
Proceeds from issuance of shares pursuant to the exercise of the warrants	1	-
Net cash from/(used in) financing activities	<u>189,307</u>	<u>(7,443)</u>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>78,182</b>	<b>(7,114)</b>
Effect of exchange rate fluctuations on cash held	(420)	(2,104)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>168,832</b>	<b>257,768</b>
<b>Cash and Cash Equivalents at End of Financial Year</b>	<b><u>246,594</u></b>	<b><u>248,550</u></b>

**Cash and Cash Equivalents**

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

	6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Deposits placed with licensed banks	210,512	211,258
Cash and bank balances	36,082	37,292
	<u>246,594</u>	<u>248,550</u>

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.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 30 June 2019**

**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 quarter ended 31 March 2019, 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.

In the quarter ended 31 March 2019, 70,473,640 new ordinary shares were issued and allotted arising from the conversion of RM35,236,820 nominal value of RCULS at the conversion price of RM0.50 each.

During the current quarter, 23,441,580 new ordinary shares were issued and allotted arising from the conversion of RM11,720,790 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 30 June 2019, the outstanding nominal value of RCULS is RM118,127,031.

On 1 April 2019, 1,250 Warrants were exercised, which resulted in 1,250 new ordinary shares at the issue price of RM0.68 each being issued and thereafter listed on the Main Market of Bursa Securities. As at 30 June 2019, the total number of Warrants which remained unexercised was 137,569,417.

Accordingly, the issued and paid-up share capital of the Company increased to 1,001,886,271 ordinary shares following the RCULS conversion and exercise of Warrants above.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ending 30 June 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 board has declared an interim single tier dividend of 1.2 sen per ordinary share for the current financial year ending 31 December 2019 (Period ended 30 June 2018: Interim single tier dividend of 2.0 sen per ordinary share). The dividend will be paid on 13 September 2019 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 29 August 2019.

**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 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 30 June 2019, the outstanding loans proportionately amounted to USD6.7 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 30.06.2019 RM'000	As at 31.12.2018 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	193,169	233,427

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 30 June 2019**

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

In 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%.

In April 2019, 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%.

In May 2019, the Company provided advances to the joint venture company, PT Bungasari Flour Mills Indonesia amounting to RM16,715,000 (equivalent to USD3,988,000) for expansion purpose, which will be converted into equity subsequently.

**12. Segmental Information**

**Results for 6 months ended 30 June 2019**

	<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	933,158	365,761	-	1,298,919
Eliminations- inter-segment	(22,994)	(15,238)	-	(38,232)
<b>Revenue from external customers</b>	<b>910,164</b>	<b>350,523</b>	<b>-</b>	<b>1,260,687</b>
Results from operating activities	44,399	(14,757)	(12)	29,630
Interest expense				(14,882)
Interest income				4,384
Share of profit of equity accounted joint venture, net of tax				10,140
Share of loss of equity accounted associate, net of tax				(15)
<b>Profit before tax</b>				<b>29,257</b>
Segments assets	1,300,005	979,538	526	2,280,069
Investment in a joint venture	94,911	-	-	94,911
Investment in an associate	1,097	-	-	1,097
<b>Total segment assets</b>	<b>1,396,013</b>	<b>979,538</b>	<b>526</b>	<b>2,376,077</b>

**Results for 6 months ended 30 June 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	806,347	343,170	-	1,149,517
Eliminations- inter-segment	(19,007)	(19,018)	-	(38,025)
<b>Revenue from external customers</b>	<b>787,340</b>	<b>324,152</b>	<b>-</b>	<b>1,111,492</b>
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
<b>Profit before tax</b>				<b>10,555</b>
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
<b>Total segment assets</b>	<b>1,197,453</b>	<b>812,856</b>	<b>1,598</b>	<b>2,011,907</b>

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 30 June 2019**

**13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes	Financial Period Ended		Changes
	30.06.2019	30.06.2018		30.06.2019	30.06.2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	625,516	547,677	14.2%	1,260,687	1,111,492	13.4%
Results from operating activities	5,751	14,109	(59.2%)	29,630	21,558	37.4%
Profit before tax	3,382	8,105	(58.3%)	29,257	10,555	177.2%
Profit after tax	4,594	6,165	(25.5%)	26,506	8,850	199.5%
(Loss)/Profit attributable to owners of the Company	(580)	4,769	(112.2%)	19,293	6,365	203.1%

For the quarter ended 30 June 2019 (Q2 2019), the Group recorded a revenue of RM625.5 million, an increase of 14.2% from RM547.7 million registered in the same quarter ended 30 June 2018 (Q2 2018). This was attributed to higher sales recorded in flour and grains trading segment by 19.5% and the poultry integration segment by 2.2%.

Operating profit decreased to RM5.8 million in Q2 2019 from RM14.1 million in Q2 2018. The flour and grains trading segment recorded a higher operating profit of RM22.4 million in Q2 2019 as compared to an operating profit of RM11.7 million recorded in Q2 2018. However, these profits were offset by the losses incurred in the poultry integration segment, which recorded an operating loss of RM16.6 million in Q2 2019 as compared to an operating profit of RM2.5 million in the same quarter last year. The Group recorded a profit before tax (PBT) of RM3.4 million in Q2 2019 as compared to the PBT of RM8.1 million in Q2 2018. This was attributable to:-

- (i) Flour and grains trading segment's operating profit increased by 92.0% from RM11.7 million in Q2 2018 to RM22.4 million in Q2 2019, driven by higher selling price to offset increased commodities cost to protect margin coupled with higher net realised and unrealised gain on future and option contracts by RM7.8 million in Q2 2019. Amidst the selling price increase, demand for flour and grains remained healthy.
- (ii) Poultry integration segment incurred an operating loss amounting to RM16.6 million in Q2 2019 as compared to an operating profit of RM2.5 million in Q2 2018, mainly as a result of key factors below:-
  - a) Lower margin arising from the sales of live birds due to depressed live birds prices in Q2 2019 as compared to Q2 2018, higher impairment loss on trade receivables and higher depreciation of property, plant and equipment in Q2 2019. Impact is RM18.5 million; and
  - b) Broiler production volume was higher in Q2 2019 as compared to that of Q2 2018 as a result of higher day-old-chicks (DOC) production volume in Q2 2019. Consequently, higher sales volume of live bird and poultry processed products was recorded in Q2 2019; and
  - c) Upward adjustment of fair value on biological assets in Q2 2019 which amounted to RM2.9 million as compared to a fair value loss on biological assets of RM1.6 million in Q2 2018. Impact is higher fair value gain of RM4.5 million in Q2 2019;
- (iii) In Q2 2019, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM3.1 million as compared to a share of loss of RM3.6 million in Q2 2018. The higher share of profit in Q2 2019 was attributable to higher margins arising from higher selling prices and forex gains resulting from a stronger Indonesian Rupiah against the US Dollar during Q2 2019.

Revenue increased by 13.4% to RM1,260.7 million for the financial period ended 30 June 2019 as compared to RM1,111.5 million posted in the preceding year. Both flour and grains trading and poultry integration segments recorded higher revenue in the financial period ended 30 June 2019, by 15.6% and 8.1% respectively. For the financial period ended 30 June 2019, PBT increased by 177.2% to RM29.3 million as compared to RM10.6 million recorded in the preceding year. The improvement in profitability was predominantly attributable to:-

- (i) Flour and grains trading segment recorded a 153.5% increase in its operating profit, amounting to RM44.4 million in the financial period ended 30 June 2019 against RM17.5 million in the corresponding period in 2018. The increase is attributable to higher margins recorded in the financial period ended 30 June 2019 as a result of higher selling price which offset the impact of higher consumption costs coupled with higher net realised and unrealised gain on future and option contracts by RM5.5 million and lower net realised loss on foreign exchange by RM1.8 million in the financial period ended 30 June 2019;
- (ii) Poultry integration segment incurred an operating loss of RM14.8 million in the financial period ended 30 June 2019 as compared to an operating profit of RM4.0 million in the corresponding period in 2018. The key factors are:
  - a) Lower live birds prices, higher impairment loss on trade receivables and higher depreciation of property, plant and equipment in the financial period ended 30 June 2019. Impact is RM23.2 million;
  - b) Broiler production volume was higher in the financial period ended 30 June 2019 as compared to the corresponding period in 2018 as a result of higher day-old-chicks (DOC) production volume. Consequently, higher sales volume of live birds and poultry processed products was recorded in 2019; and
  - c) Upward adjustment of fair value on biological assets by RM8.6 million;
- (iii) Higher share of profit was recorded in the Group's equity accounted joint venture amounting to RM10.1 million in the financial period ended 30 June 2019 as compared to a share of loss of RM5.1 million in the corresponding period in 2018 due to higher margins arising from higher selling prices and forex gains resulting from a stronger Indonesian Rupiah against the US Dollar during the financial period ended 30 June 2019.

#### Flour and grains trading

The flour and grains trading segment recorded a 19.5% increase in revenue to RM455.5 million in Q2 2019 as compared to RM381.3 million in Q2 2018, mainly as a result of higher selling price whilst the demand remained healthy, attributable to quality consistency of our products. The operating profit of this segment increased by 92.0% from RM11.7 million in Q2 2018 to RM22.4 million in Q2 2019 attributable to higher margins led by higher selling price, mitigating the increase in raw materials cost coupled with higher net realised and unrealised gain on future and option contracts by RM7.8 million in Q2 2019.

The flour and grains trading segment registered a revenue of RM910.2 million for the financial period ended 30 June 2019, a 15.6% increase from the revenue of RM787.3 million posted in the corresponding period in 2018 as a result of better pricing and higher volume. The segment registered a 153.5% increase in its operating profit, amounting to RM44.4 million in the financial period ended 30 June 2019 as compared to RM17.5 million posted in the corresponding period in 2018 mainly attributable to higher selling price which offset the impact of higher consumption costs coupled with higher net realised and unrealised gain on future and option contracts by RM5.5 million and lower net realised loss on foreign exchange by RM1.8 million in the financial period ended 30 June 2019.

#### Poultry integration

The poultry integration segment recorded an increase of 2.2% in revenue to RM170.0 million in Q2 2019 as compared to RM166.4 million in Q2 2018, as a result of higher sales volume of live birds and poultry processed products but partially offset by the depressed live birds prices in Q2 2019.

In Q2 2019, the poultry integration segment posted an operating loss of RM16.6 million as compared to an operating profit of RM2.5 million in Q2 2018. The lower margins arising from the lower live birds selling prices in Q2 2019 offset the gains arising from the higher sales volume. Other costs increases include higher impairment loss on trade receivables and higher depreciation of property, plant and equipment in Q2 2019. Nonetheless, an upward adjustment of fair value on biological assets was recorded in Q2 2019, amounting to RM2.9 million as compared to a fair value loss of RM1.6 million in Q2 2018.

The poultry integration segment recorded an increase of 8.1% in revenue to RM350.5 million in the financial period ended 30 June 2019 as compared to RM324.2 million in the corresponding period in 2018 due to higher sales volume of live birds and poultry processed products but partially offset by the depressed live birds prices in 2019. The segment registered an operating loss of RM14.8 million in the financial period ended 30 June 2019 as compared to an operating profit of RM4.0 million posted in the corresponding period in 2018. The loss was mainly due to lower margins arising from lower live birds price, higher impairment loss on trade receivables and higher depreciation of property, plant and equipment in the financial period ended 30 June 2019. An upward adjustment of fair value on biological assets was recorded in the financial period ended 30 June 2019, amounting to RM2.0 million as compared to a fair value loss of RM6.6 million in the corresponding period in 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	Immediate Preceding Quarter	Changes
	30.06.2019	31.03.2019	
	RM'000	RM'000	%
Revenue	625,516	635,171	(1.5%)
Results from operating activities	5,751	23,879	(75.9%)
Profit before tax	3,382	25,875	(86.9%)
Profit after tax	4,594	21,912	(79.0%)
Profit attributable to owners of the Company	(580)	19,873	(102.9%)

In Q2 2019, the Group recorded a revenue of RM625.5 million which represented a 1.5% decrease from RM635.2 million registered in the quarter ended 31 March 2019 (Q1 2019), mainly arising from lower revenue in the poultry integration segment, largely driven by lower live birds prices which more than offset the higher sales volume in Q2 2019.

The Group recorded a profit before tax of RM3.4 million in Q2 2019 as compared to a profit before tax of RM25.9 million registered in Q1 2019. The lower PBT in Q2 2019 is mainly due to the losses recorded in the poultry integration segment in Q2 2019 coupled with lower share of profit in equity accounted joint venture in Indonesia.

Flour and grains trading's operating profit increased marginally by 1.7% in Q2 2019, from RM22.0 million in Q1 2019 to RM22.4 million in Q2 2019 mainly attributable to higher net realised and unrealised gain on future and option contracts by RM9.8 million but offset by higher wheat costs and unrealised loss on foreign exchange by RM2.6 million. Poultry integration segment generated an operating loss of RM16.6 million in Q2 2019 as compared to an operating profit of RM1.9 million in Q1 2019, resulting from lower live birds prices in Q2 2019. The fair value gain on biological assets amounted to RM2.9 million in Q2 2019 as compared to fair value loss of RM1.0 million in Q1 2019.

Our equity accounted joint venture registered a lower share of profit of RM3.1 million in Q2 2019 as compared to a share of profit of RM7.0 million in Q1 2019 due to lower margins amidst lower sales volume in Q2 2019.

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
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**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		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	3,162	1,719	7,956	2,876
- prior year	-	35	6	222
				-
Deferred tax				
- Origination and reversal of temporary difference	(4,374)	186	(5,211)	(274)
- Over provision in prior year	-	-	-	(1,119)
	<u>(1,212)</u>	<u>1,940</u>	<u>2,751</u>	<u>1,705</u>

The Group is in a tax credit position in the current quarter due to deferred tax income recognised. 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 30 June 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.

**18. Status of Corporate Proposals**

- (a) There were no new proposals announced as at 8 August 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 30 June 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	193.57	23.19	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	3.95	-	Within 1 month	(0.37) *	-10%
	<u>275.14</u>	<u>252.32</u>	<u>23.19</u>		<u>(0.37)</u>	

\* The additional expenses incurred were paid from working capital.

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

The details of the Group's borrowings as at 30 June 2019 were as follows:

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
<b>Unsecured Long Term Borrowings</b>		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	213,385	151,061
<b>Unsecured Short Term Borrowings</b>		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	313,519	402,661
Denominated in US Dollar (i)	490,180	503,157
Denominated in Vietnamese Dong (ii)	9,736	53,681
<u>Term loans</u>		
Denominated in Ringgit Malaysia	32,360	15,860
	<u>845,795</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 RM490,180,000 equivalent to USD118,587,000 translated at USD/MYR rate of 4.1335 (2018: RM503,157,000, equivalent to USD121,653,000 translated at USD/MYR rate of 4.1360); and  
(ii) Denominated in VND of RM9,736,000, equivalent to VND55,000 million translated at VND/MYR rate of 5,649 (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 30 June 2019 were as follows:

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
<b>RCULS - Liability component</b>		
Non-current	20,749	-
Current	5,688	-
	<u>26,437</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.

**21. (Loss)/Earnings Per Share ("EPS")**

**(a) Basic (Loss)/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	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit attributable to ordinary shareholders of the Company	(580)	4,769	19,293	6,365
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	998,941	550,285	913,384	550,285
Basic (loss)/earnings per ordinary share (sen)	(0.06)	0.87	2.11	1.16

**MALAYAN FLOUR MILLS BERHAD (4260-M)**  
**Notes to the Financial Report for the Financial Period Ended 30 June 2019**

**(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.

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to ordinary shareholders of the Company	(580)	4,769	19,293	6,365
Interest expense on RCULS, net of tax	657	-	657	-
	<u>77</u>	<u>4,769</u>	<u>19,950</u>	<u>6,365</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	998,941	550,285	913,384	550,285
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	236,254	-	236,254	-
- Assumed conversion of Warrants	137,570	-	137,570	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	<u>1,372,765</u>	<u>N/A</u>	<u>1,287,208</u>	<u>N/A</u>
Diluted earnings per ordinary share (sen)	<u>0.01</u>	<u>N/A</u>	<u>1.55</u>	<u>N/A</u>

The Company did not have any diluted earnings per share as at 30 June 2018.

**22. Profit for the period**

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	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	16,761	14,511	31,811	27,704
Amortisation of right-of-use assets	846	-	1,758	-
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	7,577	5,603	14,882	12,382
Net unrealised loss on future and option contracts	-	956	-	683
Net unrealised loss on foreign exchange	1,149	-	-	-
Net realised loss on foreign exchange	282	1,249	498	2,364
Net fair value loss on biological assets	-	1,607	-	6,599
Property, plant and equipment written off	85	1	86	2
Impairment loss of trade receivables	5,409	663	5,659	1,808
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	2,014	3,129	4,280	6,433
- trade debtors	104	-	104	4
Bad debts recovered	5	-	5	25
Insurance recoveries	1,125	364	1,860	1,227
Gain on disposal of property, plant and equipment	177	3	274	13
Net unrealised gain on future and option contracts	4,458	-	3,186	-
Net realised gain on future and option contracts	3,794	1,390	3,612	1,873
Net unrealised gain on foreign exchange	-	1,142	490	423
Net fair value gain on biological assets	2,946	-	1,967	-
Reversal of impairment loss of trade receivables	893	361	1,182	753

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**23. Derivatives**

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

	As at 30.06.2019		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	126,799	127,594	-	-
- Future and option contracts	(42,596)	(38,550)	607	1,227
<b>Derivative financial liability</b>				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	165,632	164,165	436,441	432,819
- Future and option contracts	(90)	(547)	(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:

	6 months ended 30.06.2019		6 months ended 30.06.2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(7,514)	7,514	(5,702)	5,702

**(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		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 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	518	8,904	2,951	9,996
- future and option contracts	8,252	434	6,798	1,191
Financial assets at amortised cost	(2,396)	2,827	(92)	5,382
Financial liabilities measured at amortised cost	(9,526)	(14,615)	(17,841)	(24,319)
	(3,152)	(2,450)	(8,184)	(7,750)
Net gain/(loss) on impairment of financial instruments:				
- financial assets at amortised cost	(4,516)	(302)	(4,477)	(1,055)

For the 6 months ending 30 June 2019, the net losses are mainly due to interest expenses on borrowings and impairment loss on trade receivables but partially offset by interest income and net realised and unrealised gain on foreign currency forward contracts and 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  
 14 August 2019