

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

	(Unaudited) As at 30.09.2019 RM '000	(Audited) As at 31.12.2018 RM '000
Assets		
Property, plant and equipment	1,022,814	984,718
Intangible assets	1,859	2,577
Investment properties	5,068	5,110
Right-of-use assets	47,765	-
Investment in a joint venture	108,940	61,033
Investment in an associate	1,146	1,113
Deferred tax assets	9,571	6,710
Total non-current assets	1,197,163	1,061,261
Trade and other receivables, including derivatives	456,565	413,189
Prepayments and other assets	6,267	5,546
Inventories	488,011	468,728
Biological assets	63,866	54,906
Current tax assets	2,962	4,100
Cash and cash equivalents	242,349	168,832
Total current assets	1,260,020	1,115,301
Total assets	2,457,183	2,176,562
Share capital	527,251	377,501
Reserves	483,699	442,449
RCULS - Equity component	85,263	-
Total equity attributable to owners of the Company	1,096,213	819,950
Non-controlling interests	80,827	74,223
Total equity	1,177,040	894,173
Liabilities		
Deferred tax liabilities	1,562	9,788
RCULS - Liability component	18,222	-
Lease liabilities	4,555	-
Loans and borrowings	222,118	151,061
Total non-current liabilities	246,457	160,849
RCULS - Liability component	5,510	-
Lease liabilities	2,223	-
Trade and other payables, including derivatives	142,145	142,189
Loans and borrowings	879,318	975,359
Current tax liabilities	4,490	3,992
Total current liabilities	1,033,686	1,121,540
Total liabilities	1,280,143	1,282,389
Total equity and liabilities	2,457,183	2,176,562
Net assets per share attributable to owners of the Company (RM)	1.09	1.49

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 September 2019

	Note	3 months ended		Financial Period Ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM '000	RM '000	RM '000	RM '000
Revenue		701,209	642,746	1,961,896	1,754,238
Cost of goods sold		(630,760)	(583,786)	(1,778,397)	(1,580,005)
Gross profit		70,449	58,960	183,499	174,233
Operating expenses		(37,885)	(54,541)	(121,305)	(148,256)
Results from operating activities		32,564	4,419	62,194	25,977
Interest expense		(7,951)	(8,034)	(22,833)	(20,416)
Interest income		3,213	2,784	7,597	9,221
Net finance expenses		(4,738)	(5,250)	(15,236)	(11,195)
Share of profit/(loss) of equity accounted joint venture, net of tax		1,569	(2,865)	11,709	(7,945)
Share of profit/(loss) of equity accounted associate, net of tax		41	(14)	26	8
Profit/(Loss) before tax		29,436	(3,710)	58,693	6,845
Tax expense	17	(5,783)	882	(8,534)	(823)
Profit/(Loss) for the period		23,653	(2,828)	50,159	6,022
Profit/(Loss) attributable to:					
Owners of the Company		20,698	(5,186)	39,991	1,179
Non-controlling interests		2,955	2,358	10,168	4,843
Profit/(Loss) for the period		23,653	(2,828)	50,159	6,022
Basic earnings/(loss) per ordinary share (sen)	21	2.06	(0.94)	4.24	0.21
Diluted earnings per ordinary share (sen)	21	1.70	N/A	3.11	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 September 2019

	3 months ended		Financial Period Ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM '000	RM '000	RM '000	RM '000
Profit/(Loss) for the period	23,653	(2,828)	50,159	6,022
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	5,737	1,262	5,910	(4,930)
Total comprehensive income for the period	29,390	(1,566)	56,069	1,092
Total comprehensive income attributable to:				
Owners of the Company	25,491	(4,298)	45,148	(3,730)
Minority interests	3,899	2,732	10,921	4,822
Total comprehensive income for the period	29,390	(1,566)	56,069	1,092

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 September 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				
Balance at 1.1.2018	377,501	-	-	40,883	(40,360)	456,592	834,616	72,648	907,264
Total comprehensive income for the year	-	-	-	-	(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)
Balance at 31.12.2018	377,501	-	-	40,883	(42,223)	443,789	819,950	74,223	894,173
Balance at 1.1.2019	377,501	-	-	40,883	(42,223)	443,789	819,950	74,223	894,173
Total comprehensive income for the year	-	-	-	-	5,157	39,991	45,148	10,921	56,069
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	47,742	(40,366)	-	-	-	-	7,376	-	7,376
Issuance of shares pursuant to the exercise of warrants	1	-	-	-	-	-	1	-	1
Dividends to owners of the Company	-	-	-	-	-	(21,782)	(21,782)	-	(21,782)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(4,317)	(4,317)
Balance at 30.9.2019	527,251	85,263	17,884	40,883	(37,066)	461,998	1,096,213	80,827	1,177,040

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 September 2019

	9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000
Cash Flows From Operating Activities		
Profit before tax	58,693	6,845
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	48,716	42,661
Depreciation of right-of-use assets	2,760	-
Dividend income	(5)	-
(Gain)/Loss on disposal of property, plant and equipment	(332)	9
Loss on lease modification	150	-
Interest expense	22,833	20,416
Interest income	(7,597)	(9,221)
Property, plant and equipment and intangible assets written off	121	7
Share of (profit)/loss of equity accounted joint venture, net of tax	(11,709)	7,945
Share of profit of equity accounted associate, net of tax	(26)	(8)
Net unrealised (gain)/loss on foreign exchange	(1,602)	1,987
Operating profit before changes in working capital	<u>112,002</u>	<u>70,641</u>
Inventories	(16,588)	(18,037)
Biological assets	(8,960)	10,486
Trade and other receivables, prepayments and other financial assets	(42,512)	(32,953)
Trade and other payables and other financial liabilities	2,820	(12,357)
Cash generated from operations	<u>46,762</u>	<u>17,780</u>
Net income tax paid	(12,290)	(7,179)
Interest received	7,597	9,221
Interest paid	(21,849)	(20,416)
Net cash generated from/(used in) operating activities	<u>20,220</u>	<u>(594)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(126,921)	(216,002)
Dividend income	5	-
Increase in investment in a joint venture	(34,133)	(22,759)
Proceeds from disposal of property, plant and equipment	383	34
Net cash used in investing activities	<u>(160,666)</u>	<u>(238,727)</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(21,782)	(30,266)
Dividends paid to non-controlling interests	(4,317)	(5,256)
Net (repayment of)/proceeds from loans and borrowings	(30,118)	217,156
Payment of lease liabilities	(1,979)	-
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)	-
RCULS coupon paid	(2,953)	-
Proceeds from issuance of shares pursuant to the exercise of the warrants	1	-
Net cash from financing activities	<u>211,753</u>	<u>181,634</u>
Net increase/(decrease) in Cash and Cash Equivalents	<u>71,307</u>	<u>(57,687)</u>
Effect of exchange rate fluctuations on cash held	2,210	(526)
Cash and Cash Equivalents at Beginning of Year	<u>168,832</u>	<u>257,768</u>
Cash and Cash Equivalents at End of Financial Year	<u>242,349</u>	<u>199,555</u>
Cash and Cash Equivalents		
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:-		
	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Deposits placed with licensed banks	211,231	169,293
Cash and bank balances	31,118	30,262
	<u>242,349</u>	<u>199,555</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.

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.

	Impact of adoption of MFRS 16 on 1 January 2019 RM'000
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.

In the quarter ended 30 June 2019, 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.

During the current quarter, 1,567,400 new ordinary shares were issued and allotted arising from the conversion of RM783,700 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 September 2019, the outstanding nominal value of RCULS is RM117,343,331.

In the quarter ended 30 June 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.

During the current quarter, 50 Warrants were exercised, which resulted in 50 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 September 2019, the total number of Warrants which remained unexercised was 137,569,367.

Accordingly, the issued and paid-up share capital of the Company increased to 1,003,453,721 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 September 2019.

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 September 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 interim single tier dividend of 1.2 sen per ordinary share in respect of the current financial year ending 31 December 2019, amounting to RM12,041,446 was paid on 13 September 2019.

The Directors do not recommend any payment of dividend for the current financial period ended 30 September 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 September 2019, the outstanding loans proportionately amounted to USD6.3 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. In 2019, the Indonesian tax authority has issued another notification letter imposing a total sum of RM20.3 million (additional tax assessment of RM10.6 million and penalty of RM9.7 million) on PT Bungasari on the basis of overclaimed VAT for the year 2017. The Group's 30% share of the potential liabilities are RM5.1 million, RM5.0 million and RM6.1 million for the years 2015, 2016 and 2017 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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Property, plant and equipment		
Contracted but not provided for	147,059	233,427

11. Changes in Composition of the Group

In March and April 2019, the Company increased its investment in the joint venture company, PT Bungasari Flour Mills Indonesia by subscribing for an additional 5,460 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share for cash consideration totalling RM22,439,000 (equivalent to USD5,460,000). 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, of which RM11,693,000 (equivalent to USD2,790,000) has been converted into equity in the current quarter, through the subscription for an additional 2,790 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share. Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%. The remaining advances of RM5,022,000 (equivalent to USD1,198,000) will be converted into equity subsequently.

During the current quarter, the Company provided advances to the joint venture company, PT Bungasari Flour Mills Indonesia amounting to RM14,714,000 (equivalent to USD3,498,800) for expansion purpose, which will be converted into equity subsequently.

12. Segmental Information

Results for 9 months ended 30 September 2019

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,456,550	565,517	-	2,022,067
Eliminations- inter-segment	(30,848)	(29,323)	-	(60,171)
Revenue from external customers	1,425,702	536,194	-	1,961,896
Results from operating activities	69,564	(7,216)	(154)	62,194
Interest expense				(22,833)
Interest income				7,597
Share of profit of equity accounted joint venture, net of tax				11,709
Share of profit of equity accounted associate, net of tax				26
Profit before tax				58,693
Segments assets	1,335,828	1,010,728	541	2,347,097
Investment in a joint venture	108,940	-	-	108,940
Investment in an associate	-	-	1,146	1,146
Total segment assets	1,444,768	1,010,728	1,687	2,457,183

Results for 9 months ended 30 September 2018

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,285,445	533,702	-	1,819,147
Eliminations- inter-segment	(36,557)	(28,352)	-	(64,909)
Revenue from external customers	1,248,888	505,350	-	1,754,238
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
Profit before tax				6,845
Segments assets	1,247,515	886,536	476	2,134,527
Investment in a joint venture	57,988	-	-	57,988
Investment in an associate	-	-	1,128	1,128
Total segment assets	1,305,503	886,536	1,604	2,193,643

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 September 2019****13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes	Financial Period Ended		Changes
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	701,209	642,746	9.1%	1,961,896	1,754,238	11.8%
Results from operating activities	32,564	4,419	636.9%	62,194	25,977	139.4%
Profit/(Loss) before tax	29,436	(3,710)	893.4%	58,693	6,845	757.5%
Profit/(Loss) after tax	23,653	(2,828)	936.4%	50,159	6,022	732.9%
Profit/(Loss) attributable to owners of the Company	20,698	(5,186)	499.1%	39,991	1,179	3292.0%

For the quarter ended 30 September 2019 (Q3 2019), the Group recorded a revenue of RM701.2 million, an increase of 9.1% from RM642.7 million registered in the same quarter ended 30 September 2018 (Q3 2018). This was attributed to higher sales recorded in flour and grains trading segment by 11.7% and the poultry integration segment by 2.5%.

Operating profit increased to RM32.6 million in Q3 2019 from RM4.4 million in Q3 2018. The flour and grains trading segment recorded a higher operating profit of RM25.2 million in Q3 2019 as compared to an operating profit of RM17.5 million recorded in Q3 2018. Poultry integration segment turned around with an operating profit of RM7.5 million in Q3 2019 as compared to an operating loss of RM13.2 million in the same quarter last year. The Group recorded a profit before tax (PBT) of RM29.4 million in Q3 2019 as compared to the loss before tax (LBT) of RM3.7 million in Q3 2018. This was attributable to:-

- (i) Flour and grains trading segment's operating profit increased by 43.4% from RM17.5 million in Q3 2018 to RM25.2 million in Q3 2019, driven by higher selling price to mitigate increased commodities cost to protect margin coupled with net realised and unrealised gain on foreign exchange amounting to RM1.1 million in Q3 2019 as compared to net realised and unrealised loss on foreign exchange amounting to RM5.5 million in Q3 2018. Demand for flour and grains remained healthy.
- (ii) Poultry integration segment recorded an operating profit of RM7.5 million in Q3 2019 as compared to an operating loss of RM13.2 million in Q3 2018, attributable to key factors below:-
 - a) Higher margin arising from the sales of live birds due to improved live birds prices and lower production costs in Q3 2019 as compared to Q3 2018 coupled with lower impairment loss on trade receivables which offset the higher depreciation of property, plant and equipment in Q3 2019. Impact is RM7.8 million; and
 - b) Broiler production volume was slightly higher in Q3 2019 as compared to that of Q3 2018 as a result of higher day-old-chicks (DOC) production volume in Q3 2019. Consequently, higher sales volume of live bird and poultry processed products was recorded in Q3 2019; and
 - c) Upward adjustment of fair value on biological assets in Q3 2019 which amounted to RM5.2 million as compared to a fair value loss on biological assets of RM7.8 million in Q3 2018. Impact is higher fair value gain of RM13.0 million in Q3 2019;
- (iii) In Q3 2019, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM1.6 million as compared to a share of loss of RM2.9 million in Q3 2018. The higher share of profit in Q3 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 Q3 2019.

Revenue increased by 11.8% to RM1,961.9 million for the financial period ended 30 September 2019 as compared to RM1,754.2 million posted in the preceding year. Both flour and grains trading and poultry integration segments recorded higher revenue in the financial period ended 30 September 2019, by 14.2% and 6.1% respectively. For the financial period ended 30 September 2019, PBT increased by 757.5% to RM58.7 million as compared to RM6.8 million recorded in the preceding year. The improvement in profitability was predominantly attributable to:-

- (i) Flour and grains trading segment recorded a 98.4% increase in its operating profit, amounting to RM69.6 million in the financial period ended 30 September 2019 against RM35.1 million in the corresponding period in 2018. The increase was mainly attributable to higher margins recorded in the financial period ended 30 September 2019 as a result of higher selling price which offset the impact of higher consumption costs coupled with net realised and unrealised gain on future and option contracts and foreign exchange totalling RM9.7 million in the financial period ended 30 September 2019 as compared to net realised and unrealised loss on future and option contracts and foreign exchange totalling RM3.9 million in the preceding year;
- (ii) Poultry integration segment incurred an operating loss of RM7.2 million in the financial period ended 30 September 2019 as compared to an operating loss of RM9.2 million in the corresponding period in 2018. The key factors are:
 - a) Lower live birds prices mainly from the previous quarter and higher depreciation of property, plant and equipment which offset the lower production costs in the financial period ended 30 September 2019. Impact is RM17.0 million;
 - b) Broiler production volume was higher in the financial period ended 30 September 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 RM21.5 million;
- (iii) Higher share of profit was recorded in the Group's equity accounted joint venture amounting to RM11.7 million in the financial period ended 30 September 2019 as compared to a share of loss of RM7.9 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 September 2019.

Flour and grains trading

The flour and grains trading segment recorded a 11.7% increase in revenue to RM515.5 million in Q3 2019 as compared to RM461.5 million in Q3 2018, due to higher selling price and volume, attributable to quality consistency of our products. The operating profit of this segment increased by 43.4% from RM17.5 million in Q3 2018 to RM25.2 million in Q3 2019 attributable to higher margins led by higher selling price, mitigating the increase in raw materials cost coupled with net realised and unrealised gain on foreign exchange amounting to RM1.1 million in Q3 2019 as compared to net realised and unrealised loss on foreign exchange amounting to RM5.5 million in Q3 2018.

The flour and grains trading segment registered a revenue of RM1,425.7 million for the financial period ended 30 September 2019, a 14.2% increase from the revenue of RM1,248.9 million posted in the corresponding period in 2018 as a result of better pricing and higher volume. The segment registered a 98.4% increase in its operating profit, amounting to RM69.6 million in the financial period ended 30 September 2019 as compared to RM35.1 million posted in the corresponding period in 2018 mainly attributable to higher selling price which offset the impact of higher consumption costs coupled with net realised and unrealised gain on future and option contracts and foreign exchange totalling RM9.7 million in the financial period ended 30 September 2019 as compared to net realised and unrealised loss on future and option contracts and foreign exchange totalling RM3.9 million in the preceding year.

Poultry integration

The poultry integration segment recorded an increase of 2.5% in revenue to RM185.7 million in Q3 2019 as compared to RM181.2 million in Q3 2018, as a result of improved live birds prices as well as higher sales volume of live birds and poultry processed products in Q3 2019.

In Q3 2019, the poultry integration segment posted an operating profit of RM7.5 million as compared to an operating loss of RM13.2 million in Q3 2018. The higher margins arising from the improved live birds selling prices and lower production costs coupled with lower impairment loss on trade receivables in Q3 2019 offset the higher depreciation of property, plant and equipment in Q3 2019. Furthermore, an upward adjustment of fair value on biological assets was recorded in Q3 2019, amounting to RM5.2 million as compared to a fair value loss of RM7.8 million in Q3 2018.

The poultry integration segment recorded an increase of 6.1% in revenue to RM536.2 million in the financial period ended 30 September 2019 as compared to RM505.4 million in the corresponding period in 2018 due to higher sales volume of live birds and poultry processed products but partially offset by the lower live birds prices in 2019. The segment registered an operating loss of RM7.2 million in the financial period ended 30 September 2019 as compared to an operating loss of RM9.2 million posted in the corresponding period in 2018. The loss was mainly due to lower margins arising from lower live birds price and higher depreciation of property, plant and equipment which offset the lower production costs in the financial period ended 30 September 2019. These factors were partially offset by an upward adjustment of fair value on biological assets in the financial period ended 30 September 2019, amounting to RM7.2 million as compared to a fair value loss of RM14.3 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
	30.09.2019	30.06.2019	
	RM'000	RM'000	%
Revenue	701,209	625,516	12.1%
Results from operating activities	32,564	5,751	466.2%
Profit before tax	29,436	3,382	770.4%
Profit after tax	23,653	4,594	414.9%
Profit attributable to owners of the Company	20,698	(580)	3668.7%

In Q3 2019, the Group recorded a revenue of RM701.2 million which represented a 12.1% increase from RM625.5 million registered in the quarter ended 30 June 2019 (Q2 2019), attributable to higher revenue recorded in both flour and grains trading and poultry integration segments. Revenue from flour and grains trading segment increased by 13.2% in Q3 2019, driven by higher sales volume whilst revenue from the poultry integration segment grew by 9.2%, driven by higher live birds prices in Q3 2019.

The Group recorded a PBT of RM29.4 million in Q3 2019 as compared to a PBT of RM3.4 million registered in Q2 2019. The higher PBT in Q3 2019 was mainly due to the higher operating profits recorded in both flour and grains trading and poultry integration segments in Q3 2019.

Flour and grains trading's operating profit increased by 12.4% in Q3 2019, from RM22.4 million in Q2 2019 to RM25.2 million in Q3 2019, mainly led by the higher sales volume as well as lower wheat costs in Q3 2019, which offset the lower net realised and unrealised gain on future and options contracts and foreign exchange in Q3 2019. Poultry integration segment generated an operating profit of RM7.5 million in Q3 2019 as compared to an operating loss of RM16.6 million in Q2 2019, resulting from higher live birds prices in Q3 2019. The fair value gain on biological assets amounted to RM5.2 million in Q3 2019 as compared to fair value gain of RM2.9 million in Q2 2019.

Our equity accounted joint venture registered a lower share of profit of RM1.6 million in Q3 2019 as compared to a share of profit of RM3.1 million in Q2 2019 arising from lower margins and unrealised loss on foreign exchange in Q3 2019.

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

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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	5,729	3,034	13,685	5,910
- prior year	234	351	240	573
Deferred tax				
- Origination and reversal of temporary difference	(180)	(4,087)	(5,391)	(4,361)
- Over provision in prior year	-	(180)	-	(1,299)
	<u>5,783</u>	<u>(882)</u>	<u>8,534</u>	<u>823</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 30 September 2019 is lower than the Malaysia statutory tax rate of 24% mainly due to utilisation of tax losses in Malaysia and tax incentives in Vietnam.

18. Status of Corporate Proposals

- (a) There were no new proposals announced as at 7 November 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:

Purpose	Proposed Utilisation RM' million	As at 30 September 2019		Intended Timeframe for Utilisation	Deviation Over spent	
		Actual Utilisation RM' million	Balance Unutilised RM' million		RM' million	%
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	199.47	17.29	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>258.22</u>	<u>17.29</u>		<u>(0.37)</u>	

* The additional expenses incurred were paid from working capital.

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 September 2019****19. Group's Borrowings and Debt Securities**

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

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	222,118	151,061
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	316,830	402,661
Denominated in US Dollar (i)	509,904	503,157
Denominated in Vietnamese Dong (ii)	12,514	53,681
<u>Term loans</u>		
Denominated in Ringgit Malaysia	40,070	15,860
	<u>879,318</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 RM509,904,000 equivalent to USD121,695,000 translated at USD/MYR rate of 4.1900 (2018: RM503,157,000, equivalent to USD121,653,000 translated at USD/MYR rate of 4.1360); and
- (ii) Denominated in VND of RM12,514,000, equivalent to VND69,500 million translated at VND/MYR rate of 5,554 (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 September 2019 were as follows:

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
RCULS - Liability component		
Non-current	18,222	-
Current	5,510	-
	<u>23,732</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. Earnings/(Loss) 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		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Profit attributable to ordinary shareholders of the Company	20,698	(5,186)	39,991	1,179
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,002,876	550,285	943,543	550,285
Basic (loss)/earnings per ordinary share (sen)	2.06	(0.94)	4.24	0.21

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 September 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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to ordinary shareholders of the Company	20,698	(5,186)	39,991	1,179
Interest expense on RCULS, net of tax	327	-	984	-
	<u>21,025</u>	<u>(5,186)</u>	<u>40,975</u>	<u>1,179</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,002,876	550,285	943,543	550,285
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	234,687	-	234,687	-
- Assumed conversion of Warrants	-	-	137,569	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	<u>1,237,563</u>	<u>N/A</u>	<u>1,315,799</u>	<u>N/A</u>
Diluted earnings per ordinary share (sen)	<u>1.70</u>	<u>N/A</u>	<u>3.11</u>	<u>N/A</u>

However, the Warrants are anti-dilutive during the current quarter 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 30 September 2018.

22. Profit for the period

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	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	16,905	14,957	48,716	42,661
Depreciation of right-of-use assets	1,002	-	2,760	-
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	7,951	8,034	22,833	20,416
Net realised loss on future and option contracts	-	264	-	-
Net unrealised loss on future and option contracts	2,464	-	-	-
Net unrealised loss on foreign exchange	-	2,410	-	1,987
Net realised loss on foreign exchange	8	3,144	506	5,508
Net fair value loss on biological assets	-	7,753	-	14,352
Property, plant and equipment written off	35	5	121	7
Loss on disposal of property, plant and equipment	-	22	-	9
Impairment loss of trade receivables	1,066	1,871	6,725	3,679
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	3,106	2,685	7,386	9,118
- trade debtors	107	99	211	103
Bad debts recovered	-	1	5	26
Insurance recoveries	456	15	2,316	1,242
Gain on disposal of property, plant and equipment	58	-	332	-
Net unrealised gain on future and option contracts	-	2,705	722	2,022
Net realised gain on future and option contracts	5,243	-	8,855	1,609
Net unrealised gain on foreign exchange	1,112	-	1,602	-
Net fair value gain on biological assets	5,202	-	7,169	-
Reversal of impairment loss of trade receivables	587	430	1,769	1,183

23. Derivatives

(a) Contract and fair value of derivatives

	As at 30.09.2019		As at 31.12.2018	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	108,798	109,181	-	-
- Future and option contracts	(2,800)	(1,619)	607	1,227
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	146,876	146,727	436,441	432,819
- Future and option contracts	16,374	16,318	(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:

	9 months ended 30.09.2019		9 months ended 30.09.2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(9,661)	9,661	(3,310)	3,310

(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		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 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	852	(3,291)	3,803	6,705
- future and option contracts	2,780	2,440	9,578	3,631
Financial assets at amortised cost	2,734	1,343	2,642	6,725
Financial liabilities measured at amortised cost	(7,700)	(10,297)	(25,541)	(34,616)
	(1,334)	(9,805)	(9,518)	(17,555)
Net gain/(loss) on impairment of financial instruments:				
- financial assets at amortised cost	(479)	(1,441)	(4,956)	(2,496)

For the 9 months ending 30 September 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

13 November 2019