

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

	(Unaudited) As at 31.12.2019 RM '000	(Audited) As at 31.12.2018 RM '000
Assets		
Property, plant and equipment	1,090,312	984,718
Intangible assets	1,733	2,577
Investment properties	5,053	5,110
Right-of-use assets	45,908	-
Investment in a joint venture	130,912	61,033
Investment in an associate	1,074	1,113
Deferred tax assets	7,107	6,710
Total non-current assets	1,282,099	1,061,261
Trade and other receivables, including derivatives	394,112	413,189
Prepayments and other assets	4,964	5,546
Inventories	510,219	468,728
Biological assets	56,860	54,906
Current tax assets	481	4,100
Cash and cash equivalents	330,753	168,832
Total current assets	1,297,389	1,115,301
Total assets	2,579,488	2,176,562
Share capital	527,571	377,501
Reserves	481,279	442,449
RCULS - Equity component	85,462	-
Total equity attributable to owners of the Company	1,094,312	819,950
Non-controlling interests	86,686	74,223
Total equity	1,180,998	894,173
Liabilities		
Deferred tax liabilities	-	9,788
RCULS - Liability component	18,500	-
Lease liabilities	3,377	-
Loans and borrowings	223,058	151,061
Total non-current liabilities	244,935	160,849
RCULS - Liability component	5,495	-
Lease liabilities	1,886	-
Trade and other payables, including derivatives	191,303	142,189
Loans and borrowings	947,628	975,359
Current tax liabilities	7,243	3,992
Total current liabilities	1,153,555	1,121,540
Total liabilities	1,398,490	1,282,389
Total equity and liabilities	2,579,488	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 year ended 31 December 2019

	Note	3 months ended		Financial Period Ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM '000	RM '000	RM '000	RM '000
Revenue		719,667	669,536	2,681,563	2,423,774
Cost of goods sold		(642,901)	(594,487)	(2,421,298)	(2,174,492)
Gross profit		76,766	75,049	260,265	249,282
Operating expenses		(56,373)	(35,924)	(177,678)	(184,180)
Results from operating activities		20,393	39,125	82,587	65,102
Interest expense		(6,851)	(9,137)	(29,684)	(29,553)
Interest income		3,707	2,077	11,304	11,298
Net finance expenses		(3,144)	(7,060)	(18,380)	(18,255)
Share of profit/(loss) of equity accounted joint venture, net of tax		2,412	1,037	14,121	(6,908)
Share of loss of equity accounted associate, net of tax		(59)	(14)	(33)	(6)
Profit before tax		19,602	33,088	78,295	39,933
Tax expense	17	(9,159)	(11,644)	(17,693)	(12,467)
Profit for the period		10,443	21,444	60,602	27,466
Profit attributable to:					
Owners of the Company		3,260	16,597	43,251	17,776
Non-controlling interests		7,183	4,847	17,351	9,690
Profit for the period		10,443	21,444	60,602	27,466
Basic earnings per ordinary share (sen)	21	0.32	3.02	4.51	3.23
Diluted earnings per ordinary share (sen)	21	0.26	N/A	3.35	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 year ended 31 December 2019

	3 months ended		Financial Period Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM '000	RM '000	RM '000	RM '000
Profit for the period	10,443	21,444	60,602	27,466
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(7,005)	3,295	(1,095)	(1,635)
Total comprehensive income for the period	3,438	24,739	59,507	25,831
Total comprehensive income attributable to:				
Owners of the Company	(2,420)	19,643	42,728	15,913
Minority interests	5,858	5,096	16,779	9,918
Total comprehensive income for the period	3,438	24,739	59,507	25,831

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 year ended 31 December 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	-	-	-	-	(523)	43,251	42,728	16,779	59,507
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	48,062	(40,167)	-	-	-	-	7,895	-	7,895
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	-	-	-	-	-	-	-	(4,316)	(4,316)
Balance at 31.12.2019	527,571	85,462	17,884	40,883	(42,746)	465,258	1,094,312	86,686	1,180,998

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 year ended 31 December 2019

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	78,295	39,933
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	65,571	57,589
Depreciation of right-of-use assets	3,448	-
Dividend income	(5)	(4)
Gain on disposal of property, plant and equipment	(258)	(26)
Gain on lease modification	(1)	-
Interest expense	29,684	29,553
Interest income	(11,304)	(11,298)
Property, plant and equipment and intangible assets written off	156	10
Share of (profit)/loss of equity accounted joint venture, net of tax	(14,121)	6,908
Share of loss of equity accounted associate, net of tax	33	6
Net unrealised gain on foreign exchange	(1,639)	(404)
Operating profit before changes in working capital	149,859	122,267
Inventories	(43,689)	24,196
Biological assets	(1,954)	1,767
Trade and other receivables, prepayments and other financial assets	18,680	(36,828)
Trade and other payables and other financial liabilities	48,230	(3,361)
Cash generated from operations	171,126	108,041
Net income tax paid	(14,754)	(10,585)
Interest received	11,304	11,298
Interest paid	(28,375)	(29,553)
Net cash generated from operating activities	139,301	79,201
Cash Flows From Investing Activities		
Acquisition of non-controlling interests in subsidiaries	-	(3,400)
Acquisition of property, plant and equipment and intangible assets	(213,312)	(273,088)
Dividend income	5	4
Increase in investment in a joint venture	(53,797)	(22,758)
Proceeds from disposal of property, plant and equipment	304	84
Net cash used in investing activities	(266,800)	(299,158)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(21,782)	(30,266)
Dividends paid to non-controlling interests	(4,316)	(5,256)
Net proceeds from loans and borrowings	49,634	166,008
Payment of lease liabilities	(2,242)	-
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	291,243	130,486
Net increase/(decrease) in Cash and Cash Equivalents	163,744	(89,471)
Effect of exchange rate fluctuations on cash held	(1,823)	535
Cash and Cash Equivalents at Beginning of Year	168,832	257,768
Cash and Cash Equivalents at End of Financial Year	330,753	168,832

Cash and Cash Equivalents

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

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Deposits placed with licensed banks	287,181	136,305
Cash and bank balances	43,572	32,527
	330,753	168,832

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 Year Ended 31 December 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.

	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	(4,998)
Lease liabilities - short-term	(2,231)

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.

In the quarter ended 30 September 2019, 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.

In the current quarter, 641,200 new ordinary shares were issued and allotted arising from the conversion of RM320,600 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 December 2019, the outstanding nominal value of RCULS is RM117,022,731.

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.

In the quarter ended 30 September, 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 31 December 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 1,004,094,921 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 31 December 2019.

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Year Ended 31 December 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 Board has declared a second interim single tier dividend of 1.8 sen per ordinary share for the current financial year ended 31 December 2019. The dividend will be paid on 27 March 2020 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 13 March 2020.

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 31 December 2019, the outstanding loans proportionately amounted to USD7.0 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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Property, plant and equipment		
Contracted but not provided for	129,949	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 third quarter (Q3 2019), through the subscription for an additional 2,790 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share.

In August and September 2019, 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.

During the current quarter, the advances made to the joint venture company, PT Bungasari Flour Mills Indonesia from May to September 2019 totalling RM19,665,000 (equivalent to USD4,680,000) was converted into equity through the subscription for an additional 4,680 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share. The remaining advances of RM71,000 (equivalent to USD16,800) will be converted into equity subsequently. Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

12. Segmental Information

Results for 12 months ended 31 December 2019

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	2,019,787	738,612	-	2,758,399
Eliminations- inter-segment	(39,740)	(37,096)	-	(76,836)
Revenue from external customers	1,980,047	701,516	-	2,681,563
Results from operating activities	114,687	(31,942)	(158)	82,587
Interest expense				(29,684)
Interest income				11,304
Share of profit of equity accounted joint venture, net of tax				14,121
Share of loss of equity accounted associate, net of tax				(33)
Profit before tax				78,295
Segments assets	1,399,668	1,047,290	544	2,447,502
Investment in a joint venture	130,912	-	-	130,912
Investment in an associate	-	-	1,074	1,074
Total segment assets	1,530,580	1,047,290	1,618	2,579,488

Results for 12 months ended 31 December 2018

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,789,907	727,794	-	2,517,701
Eliminations- inter-segment	(59,034)	(34,893)	-	(93,927)
Revenue from external customers	1,730,873	692,901	-	2,423,774
Results from operating activities	65,899	(929)	132	65,102
Interest expense				(29,553)
Interest income				11,298
Share of loss of equity accounted joint venture, net of tax				(6,908)
Share of loss of equity accounted associate, net of tax				(6)
Profit before tax				39,933
Segments assets	1,176,816	937,094	506	2,114,416
Investment in a joint venture	61,033	-	-	61,033
Investment in an associate	-	-	1,113	1,113
Total segment assets	1,237,849	937,094	1,619	2,176,562

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Year Ended 31 December 2019****13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	31.12.2019 RM'000	31.12.2018 RM'000		31.12.2019 RM'000	31.12.2018 RM'000	
Revenue	719,667	669,536	7.5%	2,681,563	2,423,774	10.6%
Results from operating activities	20,393	39,125	(47.9%)	82,587	65,102	26.9%
Profit before tax	19,602	33,088	(40.8%)	78,295	39,933	96.1%
Profit after tax	10,443	21,444	(51.3%)	60,602	27,466	120.6%
Profit attributable to owners of the Company	3,260	16,597	(80.4%)	43,251	17,776	143.3%

For the quarter ended 31 December 2019 (Q4 2019), the Group recorded a revenue of RM719.7 million, an increase of 7.5% from RM669.5 million registered in the same quarter ended 31 December 2018 (Q4 2018). This was attributed to higher sales recorded in flour and grains trading segment by 15.0% but offset by lower sales recorded in the poultry integration segment by 11.9%.

Operating profit decreased to RM20.4 million in Q4 2019 from RM39.1 million in Q4 2018. The flour and grains trading segment recorded a higher operating profit of RM45.1 million in Q4 2019 as compared to an operating profit of RM30.8 million recorded in Q4 2018. On the other hand, poultry integration incurred an operating loss of RM24.7 million in Q4 2019 as compared to an operating profit of RM8.2 million in the same quarter last year. The Group recorded a lower profit before tax (PBT) of RM19.6 million in Q4 2019 as compared to a PBT of RM33.1 million in Q4 2018. This was attributable to:-

- (i) Flour and grains trading segment's operating profit increased, primarily due to favourable margins arising from better production efficiency in Q4 2019.
- (ii) Poultry integration segment recorded a higher operating loss in Q4 2019 as compared to Q4 2018, attributable to key factors below:-
 - a) Losses from excessive supply of live birds; and
 - b) Fair value loss on biological assets in Q4 2019 amounted to RM8.3 million as compared to a fair value gain on biological assets of RM5.9 million in Q4 2018.
- (iii) In Q4 2019, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM2.4 million as compared to a share of profit of RM1.0 million in Q4 2018. The higher share of profit in Q4 2019 was attributable to higher margins and forex gains resulting from a stronger Indonesian Rupiah against the US Dollar in Q4 2019.

Revenue increased by 10.6% to RM2,681.6 million for the financial year ended 31 December 2019 as compared to RM2,423.8 million posted in the preceding year. Both flour and grains trading and poultry integration segments recorded higher revenue in the financial year ended 31 December 2019, by 14.4% and 1.2% respectively. PBT rose by 96.1% to RM78.3 million in the financial year ended 31 December 2019 as compared to RM39.9 million recorded in the preceding year. The improvement in profitability was predominantly attributable to:-

- (i) Flour and grains trading segment recorded a 74.0% increase in its operating profit, amounting to RM114.7 million in the financial year ended 31 December 2019 against RM65.9 million in the corresponding period in 2018. The increase was mainly attributable to favourable margins arising from better production efficiency;
- (ii) Poultry integration segment incurred an operating loss of RM31.9 million in the financial year ended 31 December 2019 as compared to an operating loss of RM0.9 million in the corresponding period in 2018. The key factors are:
 - a) Losses in live birds trading due to excessive supply of broilers; and
 - b) Broiler production volume was higher in the financial year ended 31 December 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.
- (iii) Higher share of profit was recorded in the Group's equity accounted joint venture amounting to RM14.1 million in the financial period ended 31 December 2019 as compared to a share of loss of RM6.9 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 year ended 31 December 2019.

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 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Changes %
Revenue	719,667	701,209	2.6%
Results from operating activities	20,393	32,564	(37.4%)
Profit before tax	19,602	29,436	(33.4%)
Profit after tax	10,443	23,653	(55.9%)
Profit attributable to owners of the Company	3,260	20,698	(84.3%)

Flour and grains trading's operating profit increased by 79.3% in Q4 2019, from RM25.2 million in Q3 2019 to RM45.1 million in Q4 2019, mainly led by the higher sales volume and better production efficiency in Q4 2019.

Poultry integration segment generated an operating loss of RM24.7 million in Q4 2019 as compared to an operating profit of RM7.5 million in Q3 2019, resulting from lower live birds and poultry processed products prices in Q4 2019. Furthermore, the fair value loss on biological assets amounted to RM8.3 million in Q4 2019 as compared to fair value gain of RM5.2 million in Q3 2019.

Our equity accounted joint venture registered a higher share of profit of RM2.4 million in Q4 2019 as compared to a share of profit of RM1.6 million in Q3 2019 mainly arising from forex gains resulting from a stronger Indonesian Rupiah against the US Dollar in Q4 2019.

15. Prospects

The Board expects the Group's performance in 2020 to remain profitable despite uncertain economic environment, volatile commodity prices, foreign exchange rates and the outbreak of Coronavirus disease 2019 (COVID-19).

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		12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current income tax				
- current year	7,730	5,123	21,415	11,033
- prior year	70	(42)	310	531
Deferred tax				
- Origination and reversal of temporary difference	1,359	4,323	(4,032)	(38)
- Over provision in prior year	-	2,240	-	941
	<u>9,159</u>	<u>11,644</u>	<u>17,693</u>	<u>12,467</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 December 2019 is higher than the Malaysia statutory tax rate of 24% mainly due to losses incurred in the poultry integration segment, but partially offset by the utilisation of tax losses in Malaysia and tax incentives in Vietnam.

MALAYAN FLOUR MILLS BERHAD (4260-M)

Notes to the Financial Report for the Financial Year Ended 31 December 2019

18. Status of Corporate Proposals

(a) There were no new proposals announced as at 21 February 2020, 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 31 December 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	202.23	14.53	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>260.98</u>	<u>14.53</u>		<u>(0.37)</u>	

* The additional expenses incurred were paid from working capital.

19. Group's Borrowings and Debt Securities

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

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	223,058	151,061
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	314,965	402,661
Denominated in US Dollar (i)	539,187	503,157
Denominated in Vietnamese Dong (ii)	45,896	53,681
<u>Term loans</u>		
Denominated in Ringgit Malaysia	47,580	15,860
	<u>947,628</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 RM539,187,000 equivalent to USD131,734,000 translated at USD/MYR rate of 4.0930 (2018: RM503,157,000, equivalent to USD121,653,000 translated at USD/MYR rate of 4.1360); and
- (ii) Denominated in VND of RM45,896,000, equivalent to VND260,486 million translated at VND/MYR rate of 5,676 (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 December 2019 were as follows:

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
RCULS - Liability component		
Non-current	18,500	-
Current	5,495	-
	<u>23,995</u>	<u>-</u>

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Year Ended 31 December 2019

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 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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	3,260	16,597	43,251	17,776
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,003,717	550,285	958,710	550,285
Basic earnings per ordinary share (sen)	0.32	3.02	4.51	3.23

(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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	3,260	16,597	43,251	17,776
Interest expense on RCULS, net of tax	325	-	1,309	-
	3,585	16,597	44,560	17,776
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,003,717	550,285	958,710	550,285
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	234,046	-	234,046	-
- Assumed conversion of Warrants	137,569	-	137,569	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,375,332	N/A	1,330,325	N/A
Diluted earnings per ordinary share (sen)	0.26	N/A	3.35	N/A

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

MALAYAN FLOUR MILLS BERHAD (4260-M)

Notes to the Financial Report for the Financial Year Ended 31 December 2019

22. Profit for the period

	3 months ended		12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 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	16,855	14,928	65,571	57,589
Depreciation of right-of-use assets	688	-	3,448	-
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	6,851	9,137	29,684	29,553
Net unrealised loss on future and option contracts	710	1,500	-	-
Net realised loss on foreign exchange	-	3,574	89	9,082
Net fair value loss on biological assets	8,258	-	1,089	8,410
Property, plant and equipment written off	35	3	156	10
Loss on disposal of property, plant and equipment	74	-	-	-
Impairment loss of trade receivables	2,704	1,451	9,429	5,130
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	3,651	2,077	11,037	11,195
- trade debtors	56	-	267	103
Bad debts recovered	13	-	18	26
Insurance recoveries	40	35	2,356	1,277
Net unrealised gain on future and option contracts	-	-	12	522
Net realised gain on future and option contracts	1,812	1,080	10,667	2,689
Net realised gain on foreign exchange	417	-	-	-
Net unrealised gain on foreign exchange	37	2,391	1,639	404
Net fair value gain on biological assets	-	5,942	-	-
Gain on disposal of property, plant and equipment	-	35	258	26
Reversal of impairment loss of trade receivables	1,682	809	3,451	1,992

23. Derivatives

(a) Contract and fair value of derivatives

	As at 31.12.2019		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	-	-	-	-
- Future and option contracts	3,907	4,447	607	1,227
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	376,577	371,927	436,441	432,819
- Future and option contracts	(843)	(968)	(2,602)	(2,819)

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Year Ended 31 December 2019****(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:

	12 months ended 31.12.2019		12 months ended 31.12.2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(6,179)	6,179	(2,535)	2,535

(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		12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 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	(4,831)	(4,785)	(1,028)	1,920
- future and option contracts	1,102	(420)	10,680	3,211
Financial assets at amortised cost	2,684	1,404	5,326	8,129
Financial liabilities measured at amortised cost	(1,565)	(5,535)	(27,106)	(40,151)
	<u>(2,610)</u>	<u>(9,336)</u>	<u>(12,128)</u>	<u>(26,891)</u>
Net gain/(loss) on impairment of financial instruments:				
- financial assets at amortised cost	(1,022)	(642)	(5,978)	(3,138)

For the 12 months ending 31 December 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

SSM Practising Certificate No. 202008000785

Kuala Lumpur

27 February 2020