

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2020

	(Unaudited) As at 30.06.2020 RM '000	(Audited) As at 31.12.2019 RM '000
Assets		
Property, plant and equipment	1,110,926	1,090,312
Intangible assets	1,376	1,733
Investment properties	5,025	5,053
Right-of-use assets	30,298	31,087
Investment in a joint venture	172,763	130,912
Investment in an associate	1,088	1,074
Deferred tax assets	19,914	9,751
Total non-current assets	1,341,390	1,269,922
Trade and other receivables, including derivatives	369,311	394,112
Prepayments and other assets	4,079	4,964
Inventories	501,513	510,219
Biological assets	42,982	56,860
Current tax assets	855	481
Cash and cash equivalents	385,837	330,753
	1,304,577	1,297,389
Asset classified as held for sale	14,742	14,821
Total current assets	1,319,319	1,312,210
Total assets	2,660,709	2,582,132
Share capital	529,479	527,571
Reserves	455,891	481,279
RCULS - Equity component	83,691	85,462
Total equity attributable to owners of the Company	1,069,061	1,094,312
Non-controlling interests	97,092	86,686
Total equity	1,166,153	1,180,998
Liabilities		
Deferred tax liabilities	3,235	2,644
RCULS - Liability component	16,258	18,500
Lease liabilities	2,808	3,377
Loans and borrowings	220,925	223,058
Total non-current liabilities	243,226	247,579
RCULS - Liability component	5,271	5,495
Lease liabilities	2,045	1,886
Trade and other payables, including derivatives	132,567	191,303
Loans and borrowings	1,101,117	947,628
Current tax liabilities	10,330	7,243
Total current liabilities	1,251,330	1,153,555
Total liabilities	1,494,556	1,401,134
Total equity and liabilities	2,660,709	2,582,132
Net assets per share attributable to owners of the Company (RM)	1.06	1.09

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2019 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 2020

	Note	3 months ended		Financial Period Ended	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM '000	RM '000	RM '000	RM '000
Revenue		648,514	625,516	1,302,796	1,260,687
Cost of goods sold		(609,257)	(578,138)	(1,206,960)	(1,147,637)
Gross profit		39,257	47,378	95,836	113,050
Operating expenses		(34,113)	(41,627)	(97,801)	(83,420)
Results from operating activities		5,144	5,751	(1,965)	29,630
Interest expense		(11,055)	(7,577)	(21,128)	(14,882)
Interest income		5,827	2,118	10,512	4,384
Net finance expenses		(5,228)	(5,459)	(10,616)	(10,498)
Share of profit of equity accounted joint venture, net of tax		2,098	3,103	972	10,140
Share of loss of equity accounted associate, net of tax		(6)	(13)	(10)	(15)
(Loss)/Profit before tax		2,008	3,382	(11,619)	29,257
Tax expense	17	(881)	1,212	(2,019)	(2,751)
(Loss)/Profit for the period		1,127	4,594	(13,638)	26,506
(Loss)/Profit attributable to:					
Owners of the Company		(4,481)	(580)	(21,267)	19,293
Non-controlling interests		5,608	5,174	7,629	7,213
(Loss)/Profit for the period		1,127	4,594	(13,638)	26,506
Basic (loss)/earnings per ordinary share (sen)	21	(0.44)	(0.06)	(2.11)	2.11
Diluted (loss)/earnings per ordinary share (sen)	21	(0.34)	0.01	(1.67)	1.55

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2019 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 2020

	3 months ended		Financial Period Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM '000	RM '000	RM '000	RM '000
(Loss)/Profit for the period	1,127	4,594	(13,638)	26,506
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	22,626	4,032	16,789	173
Total comprehensive (expense)/income for the period	23,753	8,626	3,151	26,679
Total comprehensive (expense)/income attributable to:				
Owners of the Company	17,394	2,968	(7,255)	19,657
Minority interests	6,359	5,658	10,406	7,022
Total comprehensive (expense)/income for the period	23,753	8,626	3,151	26,679

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2019 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 2020

	← Attributable to Owners of the Company →					→ Distributable	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 1.1.2019	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
Balance at 1.1.2020	527,571	85,462	17,884	40,883	(42,746)	465,258	1,094,312	86,686	1,180,998
Total comprehensive (expense)/ income for the year	-	-	-	-	14,012	(21,267)	(7,255)	10,406	3,151
Conversion of RCULS	1,908	(1,771)	-	-	-	-	137	-	137
Dividends to owners of the Company	-	-	-	-	-	(18,133)	(18,133)	-	(18,133)
Balance at 30.06.2020	529,479	83,691	17,884	40,883	(28,734)	425,858	1,069,061	97,092	1,166,153

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2019 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 2020

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(11,619)	29,257
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	34,014	31,811
Depreciation of right-of-use assets	1,713	1,758
Gain on disposal of property, plant and equipment	(240)	(274)
Interest expense	21,128	14,882
Interest income	(10,512)	(4,384)
Property, plant and equipment and intangible assets written off	189	86
Share of profit of equity accounted joint venture, net of tax	(972)	(10,140)
Share of loss of equity accounted associate, net of tax	10	15
Net unrealised gain on foreign exchange	(1,655)	(490)
Operating profit before changes in working capital	<u>32,056</u>	<u>62,521</u>
Inventories	17,101	(16,379)
Biological assets	13,878	(5,125)
Trade and other receivables, prepayments and other financial assets	30,306	(7,771)
Trade and other payables and other financial liabilities	<u>(60,051)</u>	<u>(20,715)</u>
Cash generated from operations	<u>33,290</u>	<u>12,531</u>
Net income tax paid	(9,041)	(9,168)
Interest received	10,512	4,384
Interest paid	<u>(20,487)</u>	<u>(14,225)</u>
Net cash generated from/(used in) operating activities	<u>14,274</u>	<u>(6,478)</u>
Cash Flows From Investing Activities		
Acquisition of non-controlling interests in subsidiaries	-	(52,275)
Acquisition of property, plant and equipment and intangible assets	(50,230)	(30,258)
Increase in investment in a joint venture	(38,778)	(22,439)
Proceeds from disposal of property, plant and equipment	<u>240</u>	<u>325</u>
Net cash used in investing activities	<u>(88,768)</u>	<u>(104,647)</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(18,133)	(9,740)
Dividends paid to non-controlling interests	-	(4,316)
Net proceeds from/(repayment of) loans and borrowings	139,213	(68,315)
Payment of lease liabilities	(1,124)	(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)
RCULS coupon paid	(2,926)	-
Proceeds from issuance of shares pursuant to the exercise of the warrants	-	1
Net cash from financing activities	<u>117,030</u>	<u>189,308</u>
Net increase in Cash and Cash Equivalents	<u>42,536</u>	<u>78,183</u>
Effect of exchange rate fluctuations on cash held	12,548	(421)
Cash and Cash Equivalents at Beginning of Year	<u>330,753</u>	<u>168,832</u>
Cash and Cash Equivalents at End of Financial Period	<u>385,837</u>	<u>246,594</u>

Cash and Cash Equivalents

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

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
Deposits placed with licensed banks	347,398	181,572
Cash and bank balances	22,678	36,082
Liquid investments	15,761	28,940
	<u>385,837</u>	<u>246,594</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2019 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 2020

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 2019.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2019 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 2019, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2020 which are applicable to the Group. The adoption of these standards, amendments and IC interpretation have no material impact on this Condensed Report.

3. Seasonal or Cyclical Factors

There were no material changes brought about by seasonal or cyclical factors that affect the performance of the Group for the financial period under review.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial period-to-date.

5. Changes in Estimates

There were no changes in estimates that have had any material effect on the financial period-to-date results, except for the following:

During the financial period under review, the Group reviewed the estimated useful life of the plant and machinery and had extended the estimated useful life of certain plant and machinery with effect from 1 January 2020. The revisions were accounted for prospectively as changes in accounting estimates and as a result, the depreciation charges of the Group for the 6 months ended 30 June 2020 have decreased by RM6.4 million, within which the impact from the previous quarter ended 31 March 2020 (Q1 2020) amounted to RM3.0 million.

The annual depreciation rates for plant and machinery were changed from 10% and 25% to a range from 5% - 25% with effect from 1 January 2020.

6. Debt and Equity Securities

Redeemable Convertible Unsecured Loan Stocks ("RCULS")

In the quarter ended 31 March 2020, 3,296,700 new ordinary shares were issued and allotted arising from the conversion of RM1,648,350 nominal value of RCULS at the conversion price of RM0.50 each.

In the current quarter, 520,000 new ordinary shares were issued and allotted arising from the conversion of RM260,000 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 2020, the outstanding nominal value of RCULS is RM115,114,381.

Warrants

In the current year ended 30 June 2020, there were no Warrants exercised.

As at 30 June 2020, 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 RM529,479,286 comprising 1,007,911,621 ordinary shares following the RCULS conversion above.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ending 30 June 2020.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2020

7. Dividend

The second interim dividend of 1.8 sen per ordinary share in respect of the financial year ended 31 December 2019, amounting to RM18,133,000 was paid on 27 March 2020.

The Directors do not recommend any payment of dividend for the current financial period ended 30 June 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 30 June 2020, 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 RM9.6 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 RM9.6 million will be recoverable.

10. Capital Commitments

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Property, plant and equipment		
Contracted but not provided for	<u>115,485</u>	<u>133,782</u>

11. Changes in Composition of the Group

In March 2020, the Company increased its investment in the joint venture company, PT Bungasari by subscribing for an additional 5,713 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on a proportionate shareholding for a cash consideration of approximately RM23,355,000 (equivalent to USD5,713,200). The remaining advances amounting to RM71,000 (equivalent to USD16,800) made in 2019 was converted into equity. Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

During the current quarter, the Company further increased its investment in PT Bungasari by subscribing for an additional 3,570 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on a proportionate shareholding for a cash consideration of approximately RM15,352,000 (equivalent to USD3,570,000). Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

12. Segmental Information

Results for 6 months ended 30 June 2020

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	1,018,764	348,717	-	1,367,481
Eliminations- inter-segment	(25,513)	(39,172)	-	(64,685)
Revenue from external customers	993,251	309,545	-	1,302,796
Results from operating activities	55,220	(57,135)	(50)	(1,965)
Interest expense				(21,128)
Interest income				10,512
Share of profit of equity accounted joint venture, net of tax				972
Share of loss of equity accounted associate, net of tax				(10)
Loss before tax				(11,619)
Segments assets	1,443,491	1,042,844	523	2,486,858
Investment in a joint venture	172,763	-	-	172,763
Investment in an associate	1,088	-	-	1,088
Total segment assets	1,617,342	1,042,844	523	2,660,709

Results for 6 months ended 30 June 2019

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	933,158	365,761	-	1,298,919
Eliminations- inter-segment	(22,994)	(15,238)	-	(38,232)
Revenue from external customers	910,164	350,523	-	1,260,687
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)
Profit before tax				29,257
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
Total segment assets	1,396,013	979,538	526	2,376,077

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 June 2020****13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	30.06.2020 RM'000	30.06.2019 RM'000		30.06.2020 RM'000	30.06.2019 RM'000	
Revenue	648,514	625,516	3.7%	1,302,796	1,260,687	3.3%
Results from operating activities	5,144	5,751	(10.6%)	(1,965)	29,630	(106.6%)
(Loss)/Profit before tax	2,008	3,382	(40.6%)	(11,619)	29,257	(139.7%)
(Loss)/Profit after tax	1,127	4,594	(75.5%)	(13,638)	26,506	(151.5%)
(Loss)/Profit attributable to owners of the Company	(4,481)	(580)	(672.6%)	(21,267)	19,293	(210.2%)

For the quarter ended 30 June 2020 (Q2 2020), the Group recorded a revenue of RM648.5 million, an increase of 3.7% from RM625.5 million registered in the same quarter ended 30 June 2019 (Q2 2019). This was attributed to higher sales recorded in flour and grains trading segment which rose by 11.4% but was partially offset by a decline in the poultry integration segment's sales by 17.1%.

The Group recorded an operating profit of RM5.1 million in Q2 2020 as compared to an operating profit of RM5.8 million in Q2 2019. The flour and grains trading segment recorded a higher operating profit of RM33.1 million in Q2 2020 on the back of higher sales as compared to an operating profit of RM22.4 million in Q2 2019. However, this profit was partially negated by operating loss incurred in the poultry integration segment amounting to RM28.0 million in Q2 2020 as compared to an operating loss of RM16.6 million in the same quarter last year. Consequently, the Group recorded a profit before tax (PBT) of RM2.0 million in Q2 2020 as compared to a PBT of RM3.4 million in Q2 2019. This was attributable to:-

- (i) Flour and grains trading segment's operating profit was 48.0% higher than that of Q2 2019, primarily due to favourable margins arising from better production efficiency whilst demand for flour and grains remained strong in Q2 2020.
- (ii) Poultry integration segment recorded an operating loss of RM28.0 million in Q2 2020 as compared to an operating loss of RM16.6 million in Q2 2019, attributable to key factors below:-
 - a) The poultry processed product category experienced slow volume growth in Q2 2020, resulting from the Movement Control Order (MCO) which began in March 2020 and persisted till early May 2020. The decline in demand from food service channel which were closed for dine-in outweighed the higher demand from the retail channel. The average selling prices and sales volume of the poultry processed products were dampened due to the lower demand in Q2 2020. Nonetheless, production capacity was higher in Q2 2020 in line with the commercial operation of the new primary poultry processing plant since the quarter ended 31 March 2020 (Q1 2020); and
 - b) In the Malaysian market, live birds prices fell as there was excessive live birds supply, caused by the market supply disruption especially in the slowdown of live birds export to neighbouring country and lower consumer demand for live birds in the midst of the MCO in March 2020 which persisted till early May 2020. As a result, losses were incurred due to the lower average live birds prices, higher production fixed cost per unit amidst the lower sales volume in Q2 2020; and
 - c) Higher interest expenses were recorded in the poultry integration segment in Q2 2020 as compared to that of Q2 2019 as the new primary poultry processing plant was completed and became operational since Q1 2020; and
 - d) Fair value gain on biological assets in Q2 2020 amounted to RM2.6 million as compared to a fair value gain on biological assets of RM2.9 million in Q2 2019.
- (iii) In Q2 2020, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM2.1 million as compared to a share of profit of RM3.1 million in Q2 2019. Demand for flour remained strong. The joint venture recorded significant foreign exchange gain in Q2 2020 as IDR strengthened against the USD in Q2 2020.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2020

13. Performance Review (continued)

Revenue increased by 3.3% to RM1,302.8 million for the financial period ended 30 June 2020 as compared to RM1,260.7 million posted in the preceding year. This was attributed to higher sales recorded in flour and grains trading segment which rose by 9.1% but was partially offset by a decline in the poultry integration segment's sales by 11.7%.

The Group recorded an operating loss of RM2.0 million in the financial period ended 30 June 2020 as compared to an operating profit of RM29.6 million in the preceding year. The flour and grains trading segment recorded a higher operating profit of RM55.2 million in the financial period ended 30 June 2020 on the back of higher sales as compared to an operating profit of RM44.4 million in the preceding year. However, this profit was negated by operating loss incurred in the poultry integration segment amounting to RM57.1 million in the financial period ended 30 June 2020 as compared to an operating loss of RM14.8 million in the preceding year. Consequently, the Group recorded a loss before tax (LBT) of RM11.6 million in 2020 as compared to a PBT of RM29.3 million in 2019. This was attributable to:-

- (i) Flour and grains trading segment's operating profit was 24.4% higher than that of the preceding year, primarily due to favourable margins arising from better production efficiency whilst demand for flour and grains remained strong in the financial period ended 30 June 2020; and
- (ii) Poultry integration segment recorded an operating loss of RM57.1 million in the financial period ended 30 June 2020 as compared to an operating loss of RM14.8 million in the preceding year, attributable to key factors below:-
 - a) The poultry processed product category suffered from slow volume growth and lower average selling prices when the MCO began in March 2020; and
 - b) Lower live birds prices, higher production fixed cost per unit and lower sales volume in the financial period ended 30 June 2020 led to unfavourable margins; and
 - c) Higher depreciation and interest expenses were recorded in the poultry integration segment in the financial period ended 30 June 2020 as compared to that of the preceding year as the new primary poultry processing plant was completed and became operational since Q1 2020; and
 - d) Fair value loss on biological assets in the financial period ended 30 June 2020 amounted to RM5.4 million as compared to a fair value gain on biological assets of RM2.0 million in the preceding year.
- (iii) Lower share of profit of equity accounted joint venture in Indonesia was recorded in the financial period ended 30 June 2020, amounting to RM1.0 million as compared to a share of profit of RM10.1 million in the preceding year. Whilst demand for flour remained strong, average selling prices declined due to the COVID-19 pandemic.

14. Material Changes in Quarterly Results compared to the Results of the Preceding Quarter

Financial review for current quarter compared with immediate preceding quarter were as follows:

	Current Quarter 30.06.2020 RM'000	Immediate Preceding Quarter 31.03.2020 RM'000	Changes %
Revenue	648,514	654,282	(0.9%)
Results from operating activities	5,144	(7,109)	172.4%
Profit/(Loss) before tax	2,008	(13,627)	114.7%
Profit/(Loss) after tax	1,127	(14,765)	107.6%
Loss attributable to owners of the Company	(4,481)	(16,786)	73.3%

Revenue declined marginally by 0.9% in Q2 2020 as compared to that of Q1 2020, mainly attributed to lower revenue from the poultry integration segment. Flour and grains trading segment recorded a 4.5% increase in revenue in Q2 2020 as a result of higher sales volume and prices of grains whilst the poultry integration segment recorded a 16.5% decline in revenue in Q2 2020 due to lower sales volume of live birds and lower selling prices of both live birds and poultry processed products as the country entered into the MCO and Conditional MCO phases.

Flour and grains trading's operating profit grew by 50.0%, from RM22.1 million in Q1 2020 to RM33.1 million in Q2 2020, mainly attributable to unrealised gain on foreign exchange in Q2 2020, amounting to RM8.4 million amidst a more stable foreign exchange environment and stronger local currencies against the USD in Q2 2020.

The operating loss incurred in the poultry integration segment narrowed slightly from RM29.2 million in Q1 2020 to RM28.0 million in Q2 2020. The lower margin arising from lower live birds and poultry processed products prices in Q2 2020 were partially offset by the fair value gain on biological assets amounting to RM2.6 million in Q2 2020 as compared to fair value loss of RM8.1 million in Q1 2020, coupled with the impact of a lower depreciation amount in Q2 2020 arising from the change in useful life of the plant and machinery since 1 January 2020.

Our equity accounted joint venture registered a share of profit of RM2.1 million in Q2 2020 as compared to a share of loss of RM1.1 million in Q1 2020 as significant foreign exchange gain was recorded in Q2 2020 as IDR strengthened against the USD in Q2 2020.

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 June 2020****15. Prospects**

Despite the uncertain impact of the COVID-19 pandemic on the world and domestic economic environment, volatile commodities prices and foreign exchange, the Board expects an improvement in the Group's performance for the remaining of year 2020.

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

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	6,296	3,162	11,650	7,956
- prior year	-	-	(16)	6
Deferred tax				
- Origination and reversal of temporary difference	(5,415)	(4,374)	(10,710)	(5,211)
- Under provision in prior year	-	-	1,095	-
	<u>881</u>	<u>(1,212)</u>	<u>2,019</u>	<u>2,751</u>

The Group recognised income tax expense during the quarter ended 30 June 2020 for the profitable segment whilst deferred tax income was recognised due to losses incurred in the poultry integration segment.

18. Status of Corporate Proposals

- (a) There were no new proposals announced as at 21 August 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 30 June 2020		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	205.70	11.06	Within 2 years	-	-
Repayment of revolving credit loans drawn to finance working capital requirement	54.80	54.80	-	-	-	-
Estimated expenses for the Rights Issue	3.58	3.95	-	-	(0.37) *	-10%
	<u>275.14</u>	<u>264.45</u>	<u>11.06</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 June 2020

19. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 June 2020 were as follows:

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	220,925	223,058
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	349,596	314,965
Denominated in US Dollar (i)	659,844	539,187
Denominated in Vietnamese Dong (ii)	46,179	45,896
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,498	47,580
	<u>1,101,117</u>	<u>947,628</u>

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

- (i) Denominated in USD of RM659,844,000 equivalent to USD154,078,000 translated at USD/MYR rate of 4.2825 (2019: RM539,187,000 equivalent to USD131,734,000 translated at USD/MYR rate of 4.0930); and
- (ii) Denominated in VND of RM46,179,000 equivalent to VND251,142 million translated at VND/MYR rate of 5,438 (2019: RM45,896,000 equivalent to VND260,486 million translated at VND/MYR rate of 5,676)

The details of the Group's debt securities as at 30 June 2020 were as follows:

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
RCULS - Liability component		
Non-current	16,258	18,500
Current	5,271	5,495
	<u>21,529</u>	<u>23,995</u>

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2020

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/(loss) 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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to ordinary shareholders of the Company	(4,481)	(580)	(21,267)	19,293
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,007,586	998,941	1,006,223	913,384
Basic (loss)/earnings per ordinary share (sen)	(0.44)	(0.06)	(2.11)	2.11

(b) Diluted Earnings Per Ordinary Share

The diluted earnings per ordinary share amounts are calculated by dividing profit/(loss) 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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to ordinary shareholders of the Company	(4,481)	(580)	(21,267)	19,293
Interest expense on RCULS, net of tax	320	657	641	657
	(4,161)	77	(20,626)	19,950
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,007,586	998,941	1,006,223	913,384
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	230,229	236,254	230,229	236,254
- Assumed conversion of Warrants	-	137,570	-	137,570
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,237,815	1,372,765	1,236,452	1,287,208
Diluted (loss)/earnings per ordinary share (sen)	(0.34)	0.01	(1.67)	1.55

However, the Warrants were 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.

MALAYAN FLOUR MILLS BERHAD (4260-M)
Notes to the Financial Report for the Financial Period Ended 30 June 2020
22. (Loss)/Profit for the period

	3 months ended		6 months ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
(Loss)/Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	13,850	16,761	34,014	31,811
Depreciation of right-of-use assets	881	846	1,713	1,758
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	11,055	7,577	21,128	14,882
Net realised loss on future and option contracts	348	-	-	-
Net unrealised loss on foreign exchange	-	1,149	-	-
Net realised loss on foreign exchange	1,854	282	2,831	498
Net fair value loss on biological assets	-	-	5,421	-
Property, plant and equipment written off	1	85	189	86
Impairment loss of trade receivables	1,114	5,409	9,579	5,659
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	5,567	2,014	10,084	4,280
- trade debtors	260	104	428	104
Bad debts recovered	4	5	4	5
Insurance recoveries	41	1,125	234	1,860
Net unrealised gain on future and option contracts	1,506	4,458	1,037	3,186
Net realised gain on future and option contracts	-	3,794	358	3,612
Net unrealised gain on foreign exchange	8,836	-	1,655	490
Net fair value gain on biological assets	2,642	2,946	-	1,967
Gain on disposal of property, plant and equipment	15	177	240	274
Reversal of impairment loss of trade receivables	962	893	4,338	1,182

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

	As at 30.06.2020		As at 31.12.2019	
	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	34,463	34,635	-	-
- Future and option contracts	82,177	83,629	3,907	4,447
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	414,415	412,386	376,577	371,927
- Future and option contracts	-	-	(842)	(967)

MALAYAN FLOUR MILLS BERHAD (4260-M)**Notes to the Financial Report for the Financial Period Ended 30 June 2020****(b) Foreign currency risk***Currency risk sensitivity analysis*

A 5 percent (2019: 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 30.06.2020		6 months ended 30.06.2019	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(8,017)	8,017	(7,514)	7,514

(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 2019.

24. Net gains and losses arising from financial instruments

	3 months ended		6 months ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 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	(9,287)	518	2,793	2,951
- future and option contracts	1,159	8,252	1,396	6,798
Financial assets at amortised cost	5,675	(2,396)	5,271	(92)
Financial liabilities measured at amortised cost	5,214	(9,526)	(25,097)	(17,841)
	<u>2,761</u>	<u>(3,152)</u>	<u>(15,637)</u>	<u>(8,184)</u>

For the 6 months ending 30 June 2020, the net losses are mainly due to realised loss on foreign exchange, interest expenses on borrowings and impairment loss on trade receivables, but partially offset with unrealised gain on foreign exchange.

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 August 2020