

**MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))**  
**(Incorporated in Malaysia)**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 30 September 2020**

	<b>(Unaudited)</b> <b>As at</b> <b>30.09.2020</b> <b>RM '000</b>	<b>(Audited)</b> <b>As at</b> <b>31.12.2019</b> <b>RM '000</b>
<b>Assets</b>		
Property, plant and equipment	1,096,493	1,090,312
Intangible assets	1,168	1,733
Investment properties	5,011	5,053
Right-of-use assets	31,274	31,087
Investment in a joint venture	155,164	130,912
Investment in an associate	1,069	1,074
Deferred tax assets	16,469	9,751
<b>Total non-current assets</b>	<b>1,306,648</b>	<b>1,269,922</b>
Trade and other receivables, including derivatives	373,816	394,112
Prepayments and other assets	5,900	4,964
Inventories	478,561	510,219
Biological assets	56,957	56,860
Current tax assets	988	481
Cash and cash equivalents	359,687	330,753
	<b>1,275,909</b>	<b>1,297,389</b>
Asset classified as held for sale	-	14,821
<b>Total current assets</b>	<b>1,275,909</b>	<b>1,312,210</b>
<b>Total assets</b>	<b>2,582,557</b>	<b>2,582,132</b>
Share capital	530,018	527,571
Reserves	445,376	481,279
RCULS - Equity component	83,053	85,462
<b>Total equity attributable to owners of the Company</b>	<b>1,058,447</b>	<b>1,094,312</b>
<b>Non-controlling interests</b>	<b>92,445</b>	<b>86,686</b>
<b>Total equity</b>	<b>1,150,892</b>	<b>1,180,998</b>
<b>Liabilities</b>		
Deferred tax liabilities	3,818	2,644
RCULS - Liability component	13,985	18,500
Lease liabilities	4,003	3,377
Loans and borrowings	234,308	223,058
<b>Total non-current liabilities</b>	<b>256,114</b>	<b>247,579</b>
RCULS - Liability component	5,115	5,495
Lease liabilities	2,042	1,886
Trade and other payables, including derivatives	148,288	191,303
Loans and borrowings	1,010,006	947,628
Current tax liabilities	10,100	7,243
<b>Total current liabilities</b>	<b>1,175,551</b>	<b>1,153,555</b>
<b>Total liabilities</b>	<b>1,431,665</b>	<b>1,401,134</b>
<b>Total equity and liabilities</b>	<b>2,582,557</b>	<b>2,582,132</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.05</b>	<b>1.09</b>

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 (196101000210 (4260-M))**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
For the financial period ended 30 September 2020

	Note	3 months ended		Financial Period Ended	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>		<b>665,860</b>	701,209	<b>1,968,656</b>	1,961,896
Cost of goods sold		<b>(609,947)</b>	(630,760)	<b>(1,816,907)</b>	(1,778,397)
<b>Gross profit</b>		<b>55,913</b>	70,449	<b>151,749</b>	183,499
Operating expenses		<b>(23,618)</b>	(37,885)	<b>(121,419)</b>	(121,305)
<b>Results from operating activities</b>		<b>32,295</b>	32,564	<b>30,330</b>	62,194
Interest expense		<b>(8,826)</b>	(7,951)	<b>(29,954)</b>	(22,833)
Interest income		<b>4,933</b>	3,213	<b>15,445</b>	7,597
<b>Net finance expenses</b>		<b>(3,893)</b>	(4,738)	<b>(14,509)</b>	(15,236)
Share of (loss)/profit of equity accounted joint venture, net of tax		<b>(5,714)</b>	1,569	<b>(4,742)</b>	11,709
Share of (loss)/profit of equity accounted associate, net of tax		<b>(3)</b>	41	<b>(13)</b>	26
<b>Profit before tax</b>		<b>22,685</b>	29,436	<b>11,066</b>	58,693
Tax expense	17	<b>(9,398)</b>	(5,783)	<b>(11,417)</b>	(8,534)
<b>Profit/(loss) for the period</b>		<b>13,287</b>	23,653	<b>(351)</b>	50,159
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		<b>9,408</b>	20,698	<b>(11,859)</b>	39,991
Non-controlling interests		<b>3,879</b>	2,955	<b>11,508</b>	10,168
<b>Profit/(loss) for the period</b>		<b>13,287</b>	23,653	<b>(351)</b>	50,159
<b>Basic earnings/(loss) per ordinary share (sen)</b>	21	<b>0.93</b>	2.06	<b>(1.18)</b>	4.24
<b>Diluted earnings/(loss) per ordinary share (sen)</b>	21	<b>0.79</b>	1.70	<b>(0.88)</b>	3.11

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 (196101000210 (4260-M))**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the financial period ended 30 September 2020

	3 months ended		Financial Period Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM '000	RM '000	RM '000	RM '000
<b>Profit/(loss) for the period</b>	<b>13,287</b>	23,653	<b>(351)</b>	50,159
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	<b>(21,809)</b>	5,737	<b>(5,020)</b>	5,910
<b>Total comprehensive (expense)/income for the period</b>	<b>(8,522)</b>	29,390	<b>(5,371)</b>	56,069
<b>Total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	<b>(10,515)</b>	25,491	<b>(17,770)</b>	45,148
Minority interests	<b>1,993</b>	3,899	<b>12,399</b>	10,921
<b>Total comprehensive (expense)/income for the period</b>	<b>(8,522)</b>	29,390	<b>(5,371)</b>	56,069

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 (196101000210 (4260-M))**

(Incorporated in Malaysia)

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

For the financial period ended 30 September 2020

	Attributable to Owners of the Company					Retained Earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total Equity RM '000
	Share Capital RM '000	Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Equity component RM '000	Warrant reserve RM '000	Other capital reserve RM '000	Translation reserve RM '000				
<b>Balance at 1.1.2019</b>	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)
<b>Balance at 31.12.2019</b>	<b>527,571</b>	<b>85,462</b>	<b>17,884</b>	<b>40,883</b>	<b>(42,746)</b>	<b>465,258</b>	<b>1,094,312</b>	<b>86,686</b>	<b>1,180,998</b>
<b>Balance at 1.1.2020</b>	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	-	-	-	-	(5,911)	(11,859)	(17,770)	12,399	(5,371)
Conversion of RCULS	2,447	(2,409)	-	-	-	-	38	-	38
Dividends to owners of the Company	-	-	-	-	-	(18,133)	(18,133)	-	(18,133)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(6,640)	(6,640)
<b>Balance at 30.09.2020</b>	<b>530,018</b>	<b>83,053</b>	<b>17,884</b>	<b>40,883</b>	<b>(48,657)</b>	<b>435,266</b>	<b>1,058,447</b>	<b>92,445</b>	<b>1,150,892</b>

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 (196101000210 (4260-M))**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the financial period ended 30 September 2020

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	11,066	58,693
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	49,144	48,716
Depreciation of right-of-use assets	2,474	2,760
Dividend income	(6)	(5)
Gain on disposal of property, plant and equipment	(9,112)	(332)
Gain on lease modification	(2)	150
Interest expense	29,954	22,833
Interest income	(15,445)	(7,597)
Property, plant and equipment and intangible assets written off	642	121
Share of loss/(profit) of equity accounted joint venture, net of tax	4,742	(11,709)
Share of loss/(profit) of equity accounted associate, net of tax	13	(26)
Net unrealised gain on foreign exchange	(1,268)	(1,602)
Operating profit before changes in working capital	<u>72,202</u>	112,002
Inventories	34,263	(16,588)
Biological assets	(97)	(8,960)
Trade and other receivables, prepayments and other financial assets	20,739	(42,512)
Trade and other payables and other financial liabilities	<u>(40,663)</u>	2,820
Cash generated from operations	<u>86,444</u>	46,762
Net income tax paid	(14,465)	(12,290)
Interest received	15,445	7,597
Interest paid	<u>(28,995)</u>	(21,849)
Net cash generated from operating activities	<u>58,429</u>	20,220
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment and intangible assets	(56,156)	(126,921)
Dividend income	6	5
Increase in investment in a joint venture	(38,778)	(34,133)
Proceeds from disposal of property, plant and equipment	<u>23,840</u>	383
Net cash used in investing activities	<u>(71,088)</u>	(160,666)
<b>Cash Flows From Financing Activities</b>		
Dividends paid to owners of the Company	(18,133)	(21,782)
Dividends paid to non-controlling interests	(6,640)	(4,317)
Net proceeds from/(repayment of) loans and borrowings	67,909	(30,118)
Payment of lease liabilities	(1,796)	(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	(5,803)	(2,953)
Proceeds from issuance of shares pursuant to the exercise of the warrants	-	1
Net cash from financing activities	<u>35,537</u>	211,753
<b>Net increase in Cash and Cash Equivalents</b>	<u>22,878</u>	71,307
Effect of exchange rate fluctuations on cash held	6,056	2,210
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>330,753</u>	168,832
<b>Cash and Cash Equivalents at End of Financial Period</b>	<u>359,687</u>	242,349

**Cash and Cash Equivalents**

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

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Deposits placed with licensed banks	314,945	188,538
Cash and bank balances	25,652	31,118
Liquid investments	19,090	22,693
	<u>359,687</u>	242,349

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.

**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 (inclusive of newly acquired plant & machinery) for the 9 months ended 30 September 2020 have decreased by RM9.7 million, within which the impact from the previous quarters ended 31 March 2020 (Q1 2020) and 30 June 2020 (Q2 2020) totalled RM6.4 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 quarter ended 30 June 2020, 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.

In the current quarter, 1,077,200 new ordinary shares were issued and allotted arising from the conversion of RM538,600 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 30 September 2020, the outstanding nominal value of RCULS is RM114,575,781.

**Warrants**

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

As at 30 September 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 RM530,017,886 comprising 1,008,988,821 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 September 2020.

**MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))**  
**Notes to the Financial Report for the Financial Period Ended 30 September 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 September 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 September 2020, the outstanding loans proportionately amounted to USD6.5 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 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	<u>104,260</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%.

In June 2020, 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%.

**MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))**  
**Notes to the Financial Report for the Financial Period Ended 30 September 2020**

**12. Segmental Information**

**Results for 9 months ended 30 September 2020**

	<b>Flour and grains trading RM'000</b>	<b>Poultry integration RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Total segment revenue	1,514,221	539,882	-	2,054,103
Eliminations - inter-segment	(34,769)	(50,678)	-	(85,447)
<b>Revenue from external customers</b>	<b>1,479,452</b>	<b>489,204</b>	<b>-</b>	<b>1,968,656</b>
Results from operating activities	85,319	(54,914)	(75)	30,330
Interest expense				(29,954)
Interest income				15,445
Share of loss of equity accounted joint venture, net of tax				(4,742)
Share of loss of equity accounted associate, net of tax				(13)
<b>Profit before tax</b>				<b>11,066</b>
Segments assets	1,382,871	1,042,935	518	2,426,324
Investment in a joint venture	155,164	-	-	155,164
Investment in an associate	-	-	1,069	1,069
<b>Total segment assets</b>	<b>1,538,035</b>	<b>1,042,935</b>	<b>1,587</b>	<b>2,582,557</b>

**Results for 9 months ended 30 September 2019**

	<b>Flour and grains trading RM'000</b>	<b>Poultry integration RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Total segment revenue	1,456,550	565,517	-	2,022,067
Eliminations - inter-segment	(30,848)	(29,323)	-	(60,171)
<b>Revenue from external customers</b>	<b>1,425,702</b>	<b>536,194</b>	<b>-</b>	<b>1,961,896</b>
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
<b>Profit before tax</b>				<b>58,693</b>
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
<b>Total segment assets</b>	<b>1,444,768</b>	<b>1,010,728</b>	<b>1,687</b>	<b>2,457,183</b>



**MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))**  
**Notes to the Financial Report for the Financial Period Ended 30 September 2020**

**13. Performance Review**

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	30.09.2020 RM'000	30.09.2019 RM'000		30.09.2020 RM'000	30.09.2019 RM'000	
Revenue	665,860	701,209	(5.0%)	1,968,656	1,961,896	0.3%
Results from operating activities	32,295	32,564	(0.8%)	30,330	62,194	(51.2%)
Profit before tax	22,685	29,436	(22.9%)	11,066	58,693	(81.1%)
Profit/(loss) after tax	13,287	23,653	(43.8%)	(351)	50,159	(100.7%)
Profit/(loss) attributable to owners of the Company	9,408	20,698	(54.5%)	(11,859)	39,991	(129.7%)

For the quarter ended 30 September 2020 (Q3 2020), the Group recorded a revenue of RM665.9 million, a decrease of 5.0% from RM701.2 million registered in the same quarter ended 30 September 2019 (Q3 2019). This was attributed to lower sales recorded in both flour and grains trading and poultry integration segments by 5.7% and 3.2% respectively.

The Group recorded a marginally lower operating profit of RM32.3 million in Q3 2020 as compared to an operating profit of RM32.6 million in Q3 2019. Flour and grains trading segment recorded a higher operating profit of RM30.1 million amidst lower sales in Q3 2020 as compared to an operating profit of RM25.2 million in Q3 2019. On the contrary, poultry integration segment recorded a lower operating profit of RM2.2 million Q3 2020 as compared to an operating profit of RM7.5 million in the same quarter last year. The Group's share of loss in equity accounted joint venture in Q3 2020 amounted to RM5.7 million as opposed to a share of profit of RM1.6 million in Q3 2019. Consequently, the Group recorded a lower profit before tax (PBT) of RM22.7 million in Q3 2020 as compared to a PBT of RM29.4 million in Q3 2019. The main factors were as follows:-

- (i) Flour and grains trading segment's operating profit was 19.6% higher than that of Q3 2019, primarily due to a net gain on disposal of land amounting to RM8.5 million in Q3 2020 as well as better margins in the grains trading business. Whilst demand for flour remained strong in Q3 2020, margins decreased due to lower flour prices.
- (ii) Poultry integration segment recorded an operating profit of RM2.2 million in Q3 2020 as compared to an operating profit of RM7.5 million in Q3 2019, attributable to key factors below:-
  - a) The poultry processed products category showed signs of recovery in demand in early Q3 2020 after the Recovery Movement Control Order (RMCO) began on 10 June 2020. Improved demand from food service channel coupled with continuous demand from the retail channel contributed to the higher sales volume in Q3 2020, on the back of an expanded production capacity in line with the commercial operation of the new primary poultry processing plant since the quarter ended 31 March 2020 (Q1 2020). However, margins were lower in Q3 2020 as the average selling prices of poultry processed products remained dampened due to competitive pressure coupled with higher depreciation cost in Q3 2020 due to the new plant which had not achieved economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
  - b) In Q3 2020, live birds prices improved from the depressed prices which persisted during the Movement Control Order (MCO) in the quarter ended 30 June 2020 (Q2 2020) as the market supply disruption diminished. However, the live birds prices were lower in Q3 2020 as compared to that of Q3 2019, which led to lower margin in Q3 2020; and
  - c) The higher fair value gain on biological assets in Q3 2020 partially negated the losses above. Fair value gain on biological assets in Q3 2020 amounted to RM8.0 million as compared to a fair value gain of RM5.2 million in Q3 2019.
- (iii) Higher interest expenses were recorded in the poultry integration segment in Q3 2020 as compared to that of Q3 2019 as the new primary poultry processing plant was completed and became operational since Q1 2020.
- (iv) In Q3 2020, the Group's share of loss of equity accounted joint venture in Indonesia amounted to RM5.7 million as compared to a share of profit of RM1.6 million in Q3 2019. Whilst demand for flour remained strong, the joint venture suffered losses mainly due to significant foreign exchange loss in Q3 2020 as IDR weakened against the USD in Q3 2020.

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**13. Performance Review (continued)**

Revenue increased marginally by 0.3% to RM1,968.7 million for the financial period ended 30 September 2020 as compared to RM1,961.9 million posted in the preceding year. This was attributed to higher sales recorded in flour and grains trading segment which rose by 3.8% but was partially offset by a decline in the poultry integration segment's sales by 8.8%.

The Group recorded an operating profit of RM30.3 million in the financial period ended 30 September 2020 as compared to an operating profit of RM62.2 million in the preceding year. Flour and grains trading segment's operating profit surged to RM85.3 million in the financial period ended 30 September 2020 on the back of higher sales as compared to an operating profit of RM69.6 million in the preceding year. However, this profit was negated by operating loss incurred in the poultry integration segment amounting to RM54.9 million in the financial period ended 30 September 2020 as compared to an operating loss of RM7.2 million in the preceding year. Consequently, the Group recorded a profit before tax (PBT) of RM11.1 million in 2020 as compared to a PBT of RM58.7 million in 2019. This was attributable to:-

- (i) Flour and grains trading segment's operating profit was 22.6% higher than that of the preceding year, primarily due to a net gain on disposal of land amounting to RM8.5 million in 2020 and favourable margins arising from higher sales volume of flour and grains and lower wheat costs in the financial period ended 30 September 2020.
- (ii) Poultry integration segment recorded an operating loss of RM54.9 million in the financial period ended 30 September 2020 as compared to an operating loss of RM7.2 million in the preceding year, attributable to key factors below:-
  - a) The poultry processed product category recorded higher sales volume in the financial period ended 30 September 2020 with the expanded production capacity in the new primary poultry processing plant in Q1 2020. However, margins were lower in the financial period ended 30 September 2020 as the average selling prices of poultry processed products were depressed since the MCO began in March 2020 coupled with higher depreciation cost in 2020 due to the new plant which had not achieved economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
  - b) Lower live birds prices in the financial period ended 30 September 2020 led to unfavourable margins; and
  - c) Fair value gain on biological assets in the financial period ended 30 September 2020 was lower at RM2.6 million as compared to a fair value gain of RM7.2 million in the preceding year.
- (iii) Higher interest expenses were recorded in the poultry integration segment in the financial period ended 30 September 2020 as compared to the preceding year as the new primary poultry processing plant was completed and became operational since Q1 2020.
- (iv) In the financial period ended 30 September 2020, the Group's share of loss of equity accounted joint venture in Indonesia amounted to RM4.7 million as compared to a share of profit of RM11.7 million in the preceding year. Whilst demand for flour remained strong, the joint venture suffered losses mainly due to higher foreign exchange loss and lower margin in 2020.

**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 30.09.2020 RM'000	Immediate Preceding Quarter 30.06.2020 RM'000	Changes %
Revenue	665,860	648,514	2.7%
Results from operating activities	32,295	5,144	527.8%
Profit before tax	22,685	2,008	1029.7%
Profit after tax	13,287	1,127	1079.0%
Profit/(loss) attributable to owners of the Company	9,408	(4,481)	310.0%

Revenue increased by 2.7% in Q3 2020 as compared to that of Q2 2020, mainly attributable to higher revenue from the poultry integration segment. Flour and grains trading segment recorded a 4.2% decline in revenue in Q3 2020 primarily due to lower sales volume and prices of grains amidst competitive pressure in the grains trading business. On the contrary, the poultry integration segment recorded a 27.5% rise in revenue in Q3 2020 as demand for poultry processed products improved in Q3 2020 as the country entered into the RMCO phase on 10 June 2020 and as prices of live birds and poultry processed products recover from that of Q2 2020.

Flour and grains trading segment's operating profit decreased by 9.2%, from RM33.1 million in Q2 2020 to RM30.1 million in Q3 2020, mainly attributable to the unrealised loss on foreign exchange in Q3 2020 amounting to RM0.2 million as compared to an unrealised gain on foreign exchange in Q2 2020 which amounted to RM8.4 million.

Poultry integration segment's results turned around from operating loss of RM28.0 million in Q2 2020 to an operating profit of RM2.2 million in Q3 2020. The turnaround was attributable to recovery in the prices of live birds and poultry processed products in Q3 2020 coupled with a fair value gain on biological assets amounting to RM8.0 million in Q3 2020 as compared to a fair value gain of RM2.6 million in Q2 2020.

Our equity accounted joint venture registered a share of loss of RM5.7 million in Q3 2020 as compared to a share of profit of RM2.1 million in Q2 2020 mainly due to foreign exchange loss in Q3 2020.

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**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		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Current income tax				
- current year	4,560	5,729	16,210	13,685
- prior year	61	234	45	240
Real Property Gains Tax	718	-	718	-
Deferred tax				
- Origination and reversal of temporary difference	4,059	(180)	(6,651)	(5,391)
- Under provision in prior year	-	-	1,095	-
	<u>9,398</u>	<u>5,783</u>	<u>11,417</u>	<u>8,534</u>

Excluding the share of loss in equity accounted joint venture, the Group's effective tax rate during the quarter ended 30 September 2020 is lower than the Malaysia statutory tax rate of 24% mainly due to utilisation of tax losses in Malaysia and tax incentives in Vietnam. The Group recognised a Real Property Gains Tax (RPGT) arising from a gain on disposal of land during the quarter ended 30 September 2020.

**18. Status of Corporate Proposals**

- (a) There were no new proposals announced as at 14 November 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:

<b>Purpose</b>	<b>Proposed Utilisation</b> RM' million	<b>As at 30 September 2020</b>		<b>Intended Timeframe for Utilisation</b>	<b>Deviation Over spent</b>	
		<b>Actual Utilisation</b> RM' million	<b>Balance Unutilised</b> RM' million		<b>RM' million</b>	<b>%</b>
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	206.37	10.39	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>265.12</u>	<u>10.39</u>		<u>(0.37)</u>	

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

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

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

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>Unsecured Long Term Borrowings</b>		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	234,308	223,058
<b>Unsecured Short Term Borrowings</b>		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	371,426	314,965
Denominated in US Dollar (i)	566,675	539,187
Denominated in Vietnamese Dong (ii)	26,715	45,896
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,190	47,580
	<u>1,010,006</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 RM566,675,000 equivalent to USD136,368,000 translated at USD/MYR rate of 4.1555 (2019: RM539,187,000 equivalent to USD131,734,000 translated at USD/MYR rate of 4.0930); and
- (ii) Denominated in VND of RM26,715,000 equivalent to VND149,597 million translated at VND/MYR rate of 5,600 (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 September 2020 were as follows:

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>RCULS - Liability component</b>		
Non-current	13,985	18,500
Current	5,115	5,495
	<u>19,100</u>	<u>23,995</u>

**20. Changes in Material Litigation**

Dindings Poultry Processing Sdn Bhd ("DPP"), a subsidiary of the Company, had appointed eTEC E&C (M) Sdn Bhd as contractor ("the Contractor") to construct the new v5, primary processing and further processing plant in Lumut in December 2016. As the Contractor had breached the terms of the agreement, DPP had issued a notice of termination of the contract for breach of the terms of the contract which entitled DPP to make a demand on the performance guarantee of RM12.4 million issued in favour of DPP pursuant to the terms of the contract. Just prior to the demand, the Contractor commenced proceeding in the High Court to restrain DPP from making the demand. The High Court dismissed the Contractor's claim and the bank issuing the guarantee proceeded to release the sum of RM12.4 million to DPP. The Contractor filed an appeal against the decision and the matter is pending disposal in the Court of Appeal. DPP's solicitors are of the opinion that there is a good prospect to resist the appeal in favour of DPP.

The Contractor has commenced adjudication proceedings for an alleged claim under various progress claims in the total sum of RM65.9 million. DPP has appointed solicitors to resist the alleged claim on the grounds that the claim is frivolous. The adjudication is pending disposal and the solicitors are of the opinion that DPP has a good arguable defence in resisting the alleged claim.

Arising from the breach of the contract by the Contractor, DPP has initiated arbitration proceedings against the Contractor for the consequential losses and damages which is to be incurred by DPP. The claim is estimated to be approximately RM46.7 million. DPP's solicitors are of the opinion that DPP has a good arguable claim against the Contractor. These proceedings are pending disposal.

The litigation is not expected to impact DPP's current business operations. The extent of DPP's damages (if any) cannot be ascertained at this juncture and will depend on the outcome of the legal proceedings.

Other than the above, there was no material litigation action since the last annual balance sheet date to the date of this report.

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**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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary shareholders of the Company	9,408	20,698	(11,859)	39,991
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,008,605	1,002,876	1,007,023	943,543
Basic earnings/(loss) per ordinary share (sen)	0.93	2.06	(1.18)	4.24

**(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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary shareholders of the Company	9,408	20,698	(11,859)	39,991
Interest expense on RCULS, net of tax	318	327	959	984
	9,726	21,025	(10,900)	40,975
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,008,605	1,002,876	1,007,023	943,543
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	229,152	234,687	229,152	234,687
- Assumed conversion of Warrants	-	-	-	137,569
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,237,757	1,237,563	1,236,175	1,315,799
Diluted earnings/(loss) per ordinary share (sen)	0.79	1.70	(0.88)	3.11

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.

## 22. Profit/(Loss) for the period

	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit/(Loss) for the period is arrived at after charging:				
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	15,130	16,905	49,144	48,716
Depreciation of right-of-use assets	761	1,002	2,474	2,760
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	8,826	7,951	29,954	22,833
Net unrealised loss on future and option contracts	-	2,464	-	-
Net realised loss on future and option contracts	533	-	175	-
Net realised loss on foreign exchange	140	8	2,971	506
Net unrealised loss on foreign exchange	387	-	-	-
Property, plant and equipment written off	453	35	642	121
Impairment loss of trade receivables	852	1,066	10,431	6,725
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	4,710	3,106	14,794	7,386
- trade debtors	223	107	651	211
Bad debts recovered	4	-	8	5
Insurance recoveries	1,164	456	1,398	2,316
Net unrealised gain on future and option contracts	1,819	-	2,856	722
Net realised gain on future and option contracts	-	5,243	-	8,855
Net unrealised gain on foreign exchange	-	1,112	1,268	1,602
Net fair value gain on biological assets	8,012	5,202	2,591	7,169
Gain on disposal of property, plant and equipment	8,872	58	9,112	332
Reversal of impairment loss of trade receivables	2,964	587	7,302	1,769

## 23. Derivatives

## (a) Contract and fair value of derivatives

	As at 30.09.2020		As at 31.12.2019	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
<b>Derivative financial asset</b>				
<u>Less than 1 year</u>				
- Future and option contracts	29,520	33,546	3,907	4,447
<b>Derivative financial liability</b>				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	290,367	289,410	376,577	371,927
- Future and option contracts	(1,969)	(2,724)	(842)	(967)

**MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))**  
**Notes to the Financial Report for the Financial Period Ended 30 September 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:

	9 months ended 30.09.2020		9 months ended 30.09.2019	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(10,500)	10,500	(9,661)	9,661

**(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		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 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	899	852	3,692	3,803
- future and option contracts	1,285	2,780	2,681	9,578
Financial assets at amortised cost	7,045	2,734	12,316	2,642
Financial liabilities measured at amortised cost	(10,253)	(7,700)	(35,350)	(25,541)
	(1,024)	(1,334)	(16,661)	(9,518)

For the 9 months ending 30 September 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 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  
20 November 2020