

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2022

	(Unaudited) As at 30.06.2022 RM '000	(Audited) As at 31.12.2021 RM '000
Assets		
Property, plant and equipment	429,605	436,379
Intangible assets	276	341
Investment properties	4,912	4,941
Right-of-use assets	20,366	21,747
Investments in joint ventures	21 642,831	629,217
Investment in an associate	1,070	1,052
Deferred tax assets	7,416	6,730
Other receivables	182,217	182,217
Total non-current assets	<u>1,288,693</u>	<u>1,282,624</u>
Trade and other receivables, including derivatives	410,718	381,590
Prepayments and other assets	3,255	1,661
Inventories	738,378	494,000
Current tax assets	5,036	3,612
Cash and cash equivalents	398,565	534,529
	<u>1,555,952</u>	<u>1,415,392</u>
Asset classified as held for sale	33,597	33,597
Total current assets	<u>1,589,549</u>	<u>1,448,989</u>
Total assets	<u>2,878,242</u>	<u>2,731,613</u>
Share capital	535,748	535,623
Reserves	690,460	640,512
RCULS - Equity	78,840	78,179
Total equity attributable to owners of the Company	<u>1,305,048</u>	<u>1,254,314</u>
Non-controlling interests	<u>106,037</u>	<u>96,242</u>
Total equity	<u>1,411,085</u>	<u>1,350,556</u>
Liabilities		
Deferred tax liabilities	6,481	5,879
RCULS - Liabilities	4,313	7,310
Lease liabilities	12,407	13,499
Loans and borrowings	142,701	166,949
Total non-current liabilities	<u>165,902</u>	<u>193,637</u>
RCULS - Liabilities	4,978	4,657
Lease liabilities	2,010	1,551
Trade and other payables, including derivatives	90,861	127,046
Loans and borrowings	1,198,097	1,045,163
Current tax liabilities	5,308	9,003
Total current liabilities	<u>1,301,254</u>	<u>1,187,420</u>
Total liabilities	<u>1,467,156</u>	<u>1,381,057</u>
Total equity and liabilities	<u>2,878,242</u>	<u>2,731,613</u>
Net assets per share attributable to owners of the Company (RM)	1.28	1.23

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2021 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 June 2022

	Note	3 months ended		Financial Period Ended	
		30.06.2022	30.06.2021	30.06.2022	30.06.2021
		RM '000	RM '000	RM '000	RM '000
Continuing operations					
Revenue		661,676	576,172	1,296,553	1,111,728
Cost of goods sold		(600,621)	(506,865)	(1,172,038)	(971,379)
Gross profit		61,055	69,307	124,515	140,349
Operating expenses		(30,223)	(31,540)	(54,531)	(54,750)
Results from operating activities		30,831	37,767	69,983	85,599
Interest expense		(9,119)	(2,559)	(15,768)	(7,708)
Interest income		4,416	9,410	9,603	18,844
Net finance (expenses)/income		(4,703)	6,851	(6,165)	11,136
Share of profit/(loss) of equity accounted joint ventures, net of tax		15,359	(10,486)	11,197	(6,433)
Share of loss of equity accounted associate, net of tax		(5)	(4)	(9)	(8)
Profit before tax		41,482	34,128	75,006	90,294
Tax expense	17	(5,449)	(7,486)	(12,910)	(18,179)
Profit from continuing operations		36,033	26,642	62,096	72,115
Discontinued operations arising from deconsolidation of subsidiaries					
Profit from discontinued operations, net of tax	18	-	109,537	-	85,773
Profit for the period		36,033	136,179	62,096	157,888
Profit attributable to:					
Owners of the Company					
- from continuing operations		31,646	18,775	51,962	60,197
- from discontinued operations		-	109,537	-	85,773
		31,646	128,312	51,962	145,970
Non-controlling interests		4,387	7,867	10,134	11,918
Profit for the period		36,033	136,179	62,096	157,888
Basic earnings per ordinary share (sen)					
- from continuing operations	23	3.10	1.84	5.10	5.92
- from discontinued operations	23	-	10.75	-	8.44
Diluted earnings per ordinary share (sen)					
- from continuing operations	23	2.62	1.39	4.28	4.43
- from discontinued operations	23	-	7.96	-	6.25

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2021 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 June 2022

	3 months ended		Financial Year Ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM '000	RM '000	RM '000	RM '000
Profit for the period	36,033	136,179	62,096	157,888
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	19,232	1,930	22,790	14,099
Total comprehensive income for the period	55,265	138,109	84,886	171,987
Total comprehensive income attributable to:				
Owners of the Company				
- from continuing operations	47,024	20,447	70,344	71,627
- from discontinued operations	-	109,537	-	85,773
	47,024	129,984	70,344	157,400
Minority interests	8,241	8,125	14,542	14,587
Total comprehensive income for the period	55,265	138,109	84,886	171,987

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2021 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 June 2022

	←← Attributable to Owners of the Company →→					→→ Distributable	Total	Non-controlling interests	Total Equity
	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 1.1.2021	530,665	82,479	17,884	40,883	(53,590)	452,538	1,070,859	94,048	1,164,907
Total comprehensive income for the year	-	-	-	-	19,183	173,909	193,092	28,288	221,380
Retained earnings reinvested as capital contribution in subsidiaries	-	-	-	52,182	-	(52,182)	-	-	-
Conversion of RCULS	4,245	(4,300)	-	-	-	-	(55)	-	(55)
Issuance of shares pursuant to the exercise of warrants	713	-	(114)	-	-	-	599	-	599
Dividends to owners of the Company	-	-	-	-	-	(10,181)	(10,181)	-	(10,181)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(26,094)	(26,094)
Balance at 31.12.2021	535,623	78,179	17,770	93,065	(34,407)	564,084	1,254,314	96,242	1,350,556
Balance at 1.1.2022	535,623	78,179	17,770	93,065	(34,407)	564,084	1,254,314	96,242	1,350,556
Total comprehensive income for the year	-	-	-	-	18,382	51,962	70,344	14,542	84,886
Conversion of RCULS	125	661	-	-	-	-	786	-	786
Dividends to owners of the Company	-	-	-	-	-	(20,398)	(20,398)	(4,747)	(25,144)
Balance at 30.6.2022	535,748	78,840	17,770	93,065	(16,025)	595,649	1,305,047	106,037	1,411,085

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2021 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 June 2022

	6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax from :		
- continuing operations	75,006	90,294
- discontinued operations	-	81,526
	<u>75,006</u>	<u>171,820</u>
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	20,289	31,802
Depreciation of right-of-use assets	1,320	1,616
Gain on deconsolidation of subsidiaries	-	(126,191)
Gain on disposal of property, plant and equipment	-	(232)
Gain on lease modification	(91)	-
Interest expense	15,768	12,129
Interest income	(9,603)	(10,106)
Net gain on impairment of financial assets	(1,676)	(33)
Property, plant and equipment and intangible assets written off	42	344
Share of loss/ (profit) of equity accounted joint ventures, net of tax	(11,197)	6,433
Share of loss of equity accounted associate, net of tax	9	8
Net unrealised loss/(gain) on foreign exchange	7,911	(419)
Operating profit before changes in working capital	<u>97,778</u>	<u>87,172</u>
Inventories	(231,787)	(211,128)
Biological assets	-	2,638
Trade and other receivables, prepayments and other financial assets	(24,942)	(46,613)
Trade and other payables and other financial liabilities	(14,939)	(44,818)
Cash used in operations	<u>(173,890)</u>	<u>(212,750)</u>
Net income tax paid	(18,574)	(9,368)
Interest received	9,603	10,106
Interest paid	(14,667)	(11,518)
Net cash used in operating activities	<u>(197,527)</u>	<u>(223,531)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(13,595)	(29,432)
Proceeds from disposal of property, plant and equipment	-	284
Proceeds from disposal of stake in subsidiaries	-	183,226
Net cash outflow from deconsolidation of subsidiaries	-	(50,707)
Net cash (used in)/ generated from investing activities	<u>(13,595)</u>	<u>103,372</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(20,398)	(10,181)
Dividends paid to non-controlling interests	(20,572)	(10,268)
Net proceeds from loans and borrowings	98,710	177,909
Payment of lease liabilities	(397)	(1,245)
RCULS coupon paid	(2,742)	(2,848)
Proceeds from issuance of shares pursuant to the exercise of the warrants	-	599
Net cash generated from financing activities	<u>54,602</u>	<u>153,967</u>
Net (decrease)/increase in Cash and Cash Equivalents	(156,520)	33,807
Effect of exchange rate fluctuations on cash held	20,557	13,644
Cash and Cash Equivalents at Beginning of Year	534,529	404,627
Cash and Cash Equivalents at End of Financial Period	<u>398,565</u>	<u>452,078</u>

Cash and Cash Equivalents

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

	6 months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Deposits placed with licensed banks	334,570	402,039
Cash and bank balances	42,509	29,424
Liquid investments	21,486	20,615
	<u>398,565</u>	<u>452,078</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2021 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 2021.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2021 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 2021, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2022 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.

6. Debt and Equity Securities

Redeemable Convertible Unsecured Loan Stocks ("RCULS")

In the quarter ended 31 March 2022, 249,680 new ordinary shares were issued and allotted arising from the conversion of RM124,840 nominal value of RCULS at the conversion price of RM0.50 each.

In the current quarter, there was no conversion of RCULS and hence, no new ordinary shares were issued.

As at 30 June 2022, the outstanding nominal value of RCULS is RM109,559,187.

Warrants

In the current quarter, there were no Warrants exercised.

As at 30 June 2022, the total number of Warrants which remained unexercised was 136,688,367.

Accordingly, the issued and paid-up share capital of the Company increased to RM535,748,090 comprising 1,019,903,009 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 2022.

7. Dividend

The interim dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2021, amounting to RM20,398,000 was paid on 25 March 2022.

The Board has declared an interim dividend of 1.5 sen per ordinary share for the current financial year ending 31 December 2022. The dividend will be paid on 23 September 2022 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 9 September 2022.

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

a) PT Bungasari Flour Mills Indonesia

Corporate Guarantee for financing facilities under joint venture

The Company has provided proportionate corporate guarantees of up to USD15.0 million for financing facilities granted by financial institutions to the joint venture company, PT Bungasari Flour Mills Indonesia. As at 30 June 2022, the outstanding loans proportionately amounted to USD10.2 million.

Tax audit update for YA 2015-2017 VAT

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 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.

PT Bungasari submitted objection letters against the VAT notification letters, accompanied by a sum of RM9.6 million payment to the tax authority for 2015 and 2017.

The final Tax Court hearing in Indonesia for the assessment of overclaimed VAT for the years 2015 and 2016 was concluded in December 2020, in which the Tax Court ruled in favour of PT Bungasari. The sum of RM8.7 million paid for the year 2015 was refunded to PT Bungasari in February 2021. Subsequently, the Director General of Tax (Jakarta) filed a judiciary review at the Supreme Court to overturn the results of the Tax Court for the years 2015 and 2016. In February and March 2022, the Supreme Court ruled in favour of PT Bungasari for the judicial review of VAT for year 2016 and VAT for year 2015 respectively. Hence, the cases for VAT years 2015 and 2016 are officially closed.

The Tax Court proceedings for the assessment of overclaimed VAT for the year 2017 which was concluded in June 2022 was not in favour of PT Bungasari. The Group's 30% share of the potential liabilities is RM6.1 million for the year 2017. Based on the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this VAT year 2017 assessment, the company has filed for a judicial review at Supreme Court to overturn the results of the Tax Court. The Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities of VAT year 2017. The sum of RM0.9 million paid was in accordance to PT Bungasari's VAT calculation basis.

b) Dindings Poultry Development Centre Sdn Bhd

Dindings Poultry Development Centre Sdn Bhd ("DPDC"), a joint venture of the Company, had on 5 August 2022, received a Notice of Proposed Decision issued by the Malaysia Competition Commission ("MyCC") pursuant to Section 36 of the Competition Act 2010 ("the Act") ("Proposed Decision"). The Proposed Decision is premised primarily on the allegation that DPDC had engaged in agreements and/or concerted practices to fix the quantum of poultry feed price which is in breach of Section 4(1) read together with Sections 4(2)(a) and 4(3) of the Act.

DPDC strongly denies the allegation of the aforesaid infringement which is without merit and intends to defend such unfounded allegation vigorously. DPDC has appointed external legal counsel to represent it and will submit written representations within the specified period and make an oral representation before MyCC. However, in the event of any findings contrary, MyCC has proposed a financial penalty equivalent to 10% based on the relevant turnover and based on MyCC's calculations for the alleged period which amounts to RM70.0 million. DPDC denies that it is liable for the said penalty and refutes the basis of the calculation applied by MyCC.

The Company would like to state that at this juncture the Proposed Decision is not final nor conclusive. MyCC has in its press statement dated 5 August 2022 highlighted that its findings are provisional and it should not be assumed that DPDC has broken the law at this stage.

The Board of Directors concur with DPDC's position and is of the view that there is no financial impact to the Group.

10. Capital Commitments

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Property, plant and equipment		
Contracted but not provided for	36,387	8,801
Joint ventures		
- Share of commitment of joint ventures	15,232	7,543

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2022

11. Changes in Composition of the Group

There were no changes to the corporate structure of the Group for the financial period ending 30 June 2022 except for the following:

- (a) On 24 May 2022, the following dormant/inactive wholly-owned subsidiaries namely Syarikat Pengangkutan Lumut Sdn Bhd, Dindings Grand Parent Farm Sdn Bhd and Aviota Sdn Bhd were placed under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. The liquidation process is still on-going; and
- (b) On 31 May 2022, Dindings Broiler Breeder Farm Sdn Bhd, a wholly-owned subsidiary, which is currently dormant was placed under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. The liquidation process is still on-going.

The voluntary winding up of the Subsidiaries do not have a material impact on the earnings and net assets of the Group for the financial year ending 31 December 2022.

12. Segmental Information

	Results for 6 months ended 30 June 2022			
	Continuing operations			
	Flour and grains trading RM'000	Poultry Integration (DTSB Group) RM'000	Others RM'000	Total RM'000
Total segment revenue	1,277,032	-	31,036	1,308,068
Eliminations - inter-segment	(11,516)	-	-	(11,516)
Revenue	1,265,516	-	31,036	1,296,553
Results from operating activities	73,549	-	(3,565)	69,983
Interest expense				(15,768)
Interest income				9,603
Share of profit/(loss) of equity accounted joint ventures, net of tax	1,648	9,549	-	11,197
Share of loss of equity accounted associate, net of tax				(9)
Profit before tax				75,006
Segments assets	2,128,988	-	105,354	2,234,341
Investments in joint ventures	180,556	462,275	-	642,831
Investment in an associate	-	-	1,070	1,070
Total segment assets - continuing operations	2,309,544	462,275	106,424	2,878,242

	Results for 6 months ended 30 June 2022	
	PT Bungasari Flour Mills RM'000	Poultry Integration (DTSB Group) RM'000
	Revenue	869,770
Results from operating activities	15,648	17,545
Interest expense	(8,217)	(2,758)
Interest income	347	147
Profit/(Loss) before tax	7,778	14,935
Tax expense	(2,284)	3,789
Profit after tax	5,495	18,723
Share of profit of equity accounted joint ventures	1,648	9,549
Segment assets	1,575,512	1,234,191

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2022

	Results for 6 months ended 30 June 2021			
	Continuing operations			
	Flour and grains trading RM'000	Poultry Integration (DTSB Group) RM'000	Others RM'000	Total RM'000
Total segment revenue	1,093,122	-	24,213	1,117,335
Eliminations - inter-segment	(5,607)	-	-	(5,607)
Revenue	1,087,515	-	24,213	1,111,728
Results from operating activities	87,830	-	(2,231)	85,599
Interest expense				(7,708)
Interest income				18,844
Share of profit of equity accounted joint venture, net of tax	3,784	(10,217)	-	(6,433)
Share of loss of equity accounted associate, net of tax				(8)
Profit before tax				90,294
Profit from discontinued operations, net of tax				85,773
Segments assets	1,920,174	-	102,675	2,022,849
Investment in a joint venture	168,543	426,926	-	595,469
Investment in an associate	-	-	1,058	1,058
Total segment assets - continuing operations	2,088,717	426,926	103,733	2,619,376

	Results for 6 months ended 30 June 2021	
	PT Bungasari Flour Mills RM'000	Poultry Integration (DTSB Group) RM'000
	Revenue	674,540
Results from operating activities	21,135	(59,671)
Interest expense	(5,521)	(13,974)
Interest income	494	244
Profit/(Loss) before tax	16,107	(73,401)
Tax expense	(3,493)	12,950
Profit/(Loss) after tax	12,614	(60,451)
Share of profit/(loss) of equity accounted joint ventures	3,784	(10,217)
Segment assets	1,318,215	1,197,977

* The financial results of DTSB Group from 1 January 2021 to 31 May 2021 were disclosed as discontinued operations arising from the deconsolidation of DTSB as at 31 May 2021.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2022

13. Performance Review

Financial review for current quarter was as follows:

Continuing operations

	3 months ended		Changes	6 months ended		Changes
	30.06.2022	30.06.2021		30.06.2022	30.06.2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	661,676	576,172	14.8%	1,296,553	1,111,728	16.6%
Results from operating activities	30,831	37,767	(18.4%)	69,983	85,599	(18.2%)
Profit before tax	41,482	34,128	21.5%	75,006	90,294	(16.9%)
Profit after tax	36,033	26,642	35.2%	62,096	72,115	(13.9%)
Profit attributable to owners of the Company	31,646	18,775	68.6%	51,962	60,197	(13.7%)

Review of Quarter-on-Quarter results

For the quarter ended 30 June 2022 (Q2 2022), the Group recorded a revenue of RM661.7 million, an increase of 14.8% from RM576.2 million registered in the same quarter ended 30 June 2021 (Q2 2021). This was attributed to higher sales recorded in the flour and grains trading segment which increased by 14.3%.

The Group recorded an operating profit of RM30.8 million in Q2 2022 as compared to an operating profit of RM37.8 million in Q2 2021, primarily due to lower profits from flour and grains trading segment. The Group's share of profit in equity accounted joint ventures in Q2 2022 amounted to RM15.4 million as compared to a share of loss of RM10.5 million in Q2 2021. Consequently, for its continuing operations, the Group recorded a profit before tax (PBT) of RM41.5 million in Q2 2022 as compared to RM34.1 million in Q2 2021. The main factors were as follows:-

- (i) The flour and grains trading generated an operating profit of RM33.1 million in Q2 2022 as compared to an operating profit of RM39.2 million in Q2 2021. Flour and grains trading segment's operating profit declined by 15.4% from that of Q2 2022, mainly attributed to higher wheat cost, stronger USD which exceeded the impact of higher selling prices; and
- (ii) In Q2 2022, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM0.8 million as compared to a share of loss of RM0.3 million in Q2 2021, mainly driven by higher sales and increase in selling prices but was negatively impacted by unfavourable foreign exchange from a weaker IDR and higher wheat cost; and
- (iii) DTSB Group represents the Group's poultry farming and feed milling via DPDC and poultry processing via DPP.

As explained in Note 18, the financial results of DTSB Group in Q2 2022 is accounted for as a joint venture and the share of profit/(loss) is presented as an operating segment. On the contrary, the financial results of DTSB Group in Q2 2021 were presented and disclosed as discontinued operations arising from the deconsolidation of DTSB as at 31 May 2021 for the period of April to May 2021 whereas the financial results in June 2021 were accounted for as a joint venture and presented as an operating segment.

In Q2 2022, DTSB generated a revenue of RM266.2 million and profit after tax of RM28.5 million. Consequently, the Group's share of profit of this equity accounted joint venture at 51% amounted to RM14.5 million in Q2 2022. In Q2 2021, the Group generated a revenue of RM211.7 million with a loss after tax of RM36.6 million (Loss after tax of RM16.6 million in April to May 2021 was disclosed as discontinued operations whilst loss after tax of RM20.0 million in June 2021 was accounted for as a joint venture). Consequently, the share of loss of this equity accounted joint venture in Q2 2021 amounted to RM10.2 million. The improvement in the Q2 2022 results is mainly attributable to the following:

- a) The price control on standard chicken continued to be in effect from February 2022 till June 2022 and thereafter raised and extended beyond 1 July 2022. In Q2 2022, the poultry integration turned profitable mainly driven by better contribution margin arising partly from higher plant utilisation and subsidy from Ministry of Agriculture and Food Industries(MAFI) to ease the burden of poultry farmers as well as reducing the inflationary impact to consumers arising from high price of broilers due to high cost of raw materials ("Chicken Subsidy"); and
 - b) Lower net interest expense of RM1.4 million was incurred for Q2 2022 as compared to net interest expense of RM6.5 million in Q2 2021; and
 - c) Lower fair value loss on biological assets was recorded in Q2 2022, amounting to RM9.5 million as compared to RM17.8 million in Q2 2021; and
 - d) Partially offsets the deferred tax expense of RM1 million in Q2 2022 as compared to deferred tax income RM8.7 million in Q2 2021.
- (iv) Net interest expense of RM4.7 million was incurred in Q2 2022 as compared to net interest income of RM6.6 million in Q1 2021. The reduction was mainly due to the lower interest income after capitalisation of intercompany advances from DTSB Group and novation of term loan to MFM from DTSB Group in 1H2021.

The Others segment includes the results from aqua feedmilling business.

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Notes to the Financial Report for the Financial Period Ended 30 June 2022

Review of Year-on-Year results

Revenue increased by 16.6% to RM1,296.6 million for the financial period ended 30 June 2022 as compared to RM1,111.7 million posted in the preceding year, primarily due to higher sales in the flour and grains trading segment which rose by 16.4% amidst recovery of economic activities in Malaysia and Vietnam as the countries moves towards Covid-19 endemicity and reopened its international borders.

The Group recorded an operating profit of RM69.9 million in the financial period ended 30 June 2022 as compared to an operating profit of RM85.6 million in the preceding year. Flour and grains trading segment's operating profit declined to RM73.5 million in the financial period ended 30 June 2022 as compared to an operating profit of RM87.8 million in the preceding year. This is mainly due to significantly higher wheat prices arising from the onset on the Russian-Ukraine war, Indian government ban export of wheat in May 2022, weather impact on grain production caused by La Nina which impacted global supply of grains and stronger USD in 1H2022. The Group's share of profit in equity accounted joint ventures in the financial period ended 30 June 2022 amounted to RM11.2 million as compared to a share of loss of RM6.4 million in the preceding year. Consequently, the Group recorded a profit before tax (PBT) of RM75.0 million in the financial period ended 30 June 2022 as compared to a PBT of RM90.3 million in the preceding year. This was attributable to:-

- (i) The flour and grains trading segment generated an operating profit of RM73.5 million as compared to an operating profit of RM87.8 million in the preceding year, mainly attributed to higher wheat costs and stronger USD which exceed the impact of higher selling prices; and
- (ii) In the financial period ended 30 June 2022, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM1.6 million as compared to a share of profit of RM3.8 million in the preceding year. This is mainly due to significantly higher commodity prices and foreign exchange translation loss from a weaker IDR; and
- (iii) In the 6 months ended 30 June 2022, DTSB Group recorded revenue of RM497.4 million and profit after tax of RM18.7 million. Consequently, the Group's share of profit of this equity accounted joint venture at 51% amounted to RM9.5 million. For the 6 months ended 30 June 2021, DTSB Group recorded revenue of RM408.3 million and loss after tax of RM60.4 million (Loss after tax of RM40.4 million in Jan to May 2021 was disclosed as discontinued operations whilst RM20.0 million in June 2021 was accounted for as a joint venture). Consequently, the share of loss of this equity accounted joint venture in the 6 months ended 30 June 2021 amounted to RM10.2 million. The improvement in the 6 months' results is mainly attributable to the following:
 - a) In the financial period ended 30 June 2022, the poultry integration turned profitable mainly driven by better contribution margin arising partly from higher plant utilisation and the Chicken Subsidy; and
 - b) Lower net interest expenses of RM2.6 million was incurred in the financial period 2022 as compared to net interest expense of RM13.7 million in the financial period 2021; and
 - c) An insurance proceeds of RM2.0 million received in the financial period 2022 for compensation of damaged warehouse; and
 - d) Lower fair value loss on biological assets was recorded in the financial period 2022, amounting to RM15.4 million as compared to RM24.6 million in the financial period 2021; and
 - e) Partially offsets the lower deferred tax income of RM3.8 million in the financial period 2022 as compared to RM13.0 million in the financial period 2021.
- (iv) A net interest expense of RM6.1 million was incurred in 1H2022 as compared to a net interest income of RM11.1 million in 1H2021. The reduction was mainly due to the lower interest income after capitalisation of intercompany advances from DTSB Group, novation of term loan to MFM from DTSB Group in 1H2021 and increase in interest expenses arising from higher borrowings due to higher commodity prices.

Discontinued operations arising from deconsolidation of subsidiaries

	3 months ended		Changes	6 months ended		Changes
	30.06.2022	30.06.2021		30.06.2022	30.06.2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Loss from discontinued operations, net of tax	-	109,537	(100.0%)	-	85,773	(100.0%)

The financial results of DTSB Group from 1 January 2021 to 31 May 2021 were disclosed as discontinued operations arising from the deconsolidation of DTSB as at 31 May 2021.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2022

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:

Continuing operations

	Current Quarter 30.06.2022 RM'000	Immediate Preceding Quarter 31.03.2022 RM'000	Changes %
Revenue	661,676	634,877	4.2%
Results from operating activities	30,831	39,152	(21.3%)
Profit before tax	41,482	33,524	23.7%
Profit after tax	36,033	26,063	38.3%
Profit attributable to owners of the Company	31,646	20,316	55.8%

Revenue increased by 4.2% against the preceding quarter, primarily attributed to higher selling price and improved sales mix, lifting of movement restrictions and reopening of borders.

The Group profit before tax increased by 23.7% to RM41.5 million (Q1 2022: RM33.5 million) mainly due to :

- (i) reduction of 21.3% in operating profit due to higher grain cost, operating expenses and net interest expenses which exceeded the impact of increase in selling prices; and
- (ii) partially set off by increase in the share of profit of equity accounted joint ventures compared to share of loss in Q1 2022

DTSB Group turned profitable in Q2 2022 with a profit after tax of RM28.5 million as compared to a loss after tax of RM9.8 million in Q1 2022. Thus, the share of profit at 51% in Q2 2022 amounted to RM14.5 million (Q1 2022: Share of loss of RM5.0 million). The turnaround was mainly driven by better contribution margin arising partly from higher plant utilisation as the broiler supply shortage situation eased progressively coupled with the Chicken Subsidy. This offset the higher fair value loss on biological assets of RM9.5 million in Q2 2022 as compared to RM5.9 million in Q1 2022.

15. Prospects

The Board has the following views on the future prospect of the Group:

a. Flour Industry in Malaysia

The flour industry in Malaysia experienced challenges in 2022 arising from the disruption in the supply chain of wheat caused by the Ukraine crisis and global weather. The Company adjusted flour prices in March 2022 and July 2022 in view of its increased wheat inventory cost. The Company will continue to monitor global wheat prices and wheat supply which will have an impact to its future prices of flour.

b. Flour Industry in Vietnam

The flour industry in Vietnam is similarly impacted by the factors mentioned above. Similarly subject to global wheat prices and supply, we expect to adjust our prices accordingly.

c. Poultry Industry

In view of the synergistic partnership with Tyson International Holding Company since end May 2021 which is starting to yield positive results and the improved economic prospects for 2022, DTSB (the joint venture company) is optimistic of its outlook for 2022 and beyond.

16. Variance of Actual from Forecast Profit After Tax and Profit Guarantee

- (a) Profit forecast : Not applicable
- (b) Profit guarantee : Not applicable

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17. Income Tax Expense

Continuing operations

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	5,153	7,404	13,234	18,764
- prior year	-	-	9	6
Deferred tax				
- Origination and reversal of temporary difference	296	82	(333)	(666)
- Under provision in prior year	-	-	-	75
	<u>5,449</u>	<u>7,486</u>	<u>12,910</u>	<u>18,179</u>

Excluding the share of profit/(loss) in equity accounted joint ventures, the Group's effective tax rate during the quarter ended 30 June 2022 is lower than the Malaysia statutory tax rate of 24% mainly due to tax incentives and lower tax rates in Vietnam.

18. Discontinued Operations arising from deconsolidation of subsidiaries

The financial results of Dindings Tyson Sdn Bhd ("DTSB") Group from 1 January 2021 to 31 May 2021 were disclosed as discontinued operations with loss of RM(39.7) million arising from the deconsolidation of DTSB Group comprising 2 subsidiaries, Dindings Poultry Processing Sdn Bhd ("DPP") and Dindings Poultry Development Centre Sdn Bhd ("DPDC") pursuant to the disposal of the Company's 49% equity interest in DTSB to Tyson International Holding Company ("Tyson") on 31 May 2021. Arising from thereon, the retained interest of 51% equity interest in DTSB has been accounted for as an investment in joint venture.

An initial gain of RM126.2 million was recognised in 1HFY2021 based on a disposal consideration of RM420 million. At year end, the disposal consideration was revised to RM445.0 million as the Company received RM185.0 million from Tyson as the Initial Consideration in 2021 and in the event the financial targets for the First Earnout Consideration and the Second Earnout Consideration are met in full respectively, another RM260.0 million (at present value) to be received in future years.

19. Status of Corporate Proposals

- (a) There were no new proposals announced as at 19 August 2022, 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 is as follows:

(i) Status of utilisation of proceeds from the disposal consideration derived from the disposal of 49% equity interest in DTSB to Tyson

The disposal consideration arising from the Company's disposal of 49% equity interest in DTSB to Tyson is to be received in 3 tranches - Initial Consideration, First Earnout Consideration and Second Earnout Consideration:-

- In 2021, the Company received an aggregate Initial Consideration of RM184,944,276.
- On 16 August 2022, MFM has remitted the Profit Guarantee Payment of RM15 million to Tyson. Based on EBITDA of DTSB Group for financial year ending 2021, which was less than RM54 million, Tyson is entitled to the Profit Guarantee Payment of RM15 million.
- The First Earnout Consideration will be calculated and paid, subject to conditions being met, after the audited financial statements of DTSB Group for financial year ending 2022 becomes available and following final agreement by MFM and Tyson.
- The Second Earnout Consideration will be calculated and paid, subject to conditions being met after the audited financial statements of DTSB Group for financial year ending 2023 becomes available and following final agreement by MFM and Tyson.

The status of the utilisation of proceeds from the Initial Consideration is as follows:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM' million	<u>As at 30 June 2022</u>		<u>Timeframe for Utilisation</u>	<u>Deviation Over spent</u>	
		<u>Actual Utilisation</u> RM' million	<u>Balance Unutilised</u> RM' million		RM' million	%
Repayment of bank borrowings	170.94	170.94	-	Within 6 months	-	-
Estimated expenses in relation to the Strategic Partnership	14.00	14.06	-	Within 1 month	(0.06)	0%
	<u>184.94</u>	<u>185.00</u>	<u>-</u>		<u>(0.06) *</u>	

* The additional expenses incurred were paid from working capital.

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Notes to the Financial Report for the Financial Period Ended 30 June 2022

20. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 June 2022 were as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	135,680	158,260
Denominated in US Dollar (i)	7,021	8,689
	<u>142,701</u>	<u>166,949</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	288,749	256,774
Denominated in US Dollar (i)	725,779	661,029
Denominated in Vietnamese Dong (ii)	132,080	76,311
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,160	45,160
Denominated in US Dollar (i)	6,329	5,889
	<u>1,198,097</u>	<u>1,045,163</u>

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

- (i) Denominated in USD of RM739,129,000 equivalent to USD167,679,000 translated at USD/MYR rate of 4.408 (2021: RM675,607,000 equivalent to USD162,211,000 translated at USD/MYR rate of 4.1650); and
- (ii) Denominated in VND of RM132,080,000 equivalent to VND701,600 million translated at VND/MYR rate of 5,312 (2021: RM76,311,000 equivalent to VND419,939 million translated at VND/MYR rate of 5,503)

The details of the Group's debt securities as at 30 June 2022 were as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
RCULS - Liability component		
Non-current	4,313	7,310
Current	4,978	4,657
	<u>9,291</u>	<u>11,967</u>

21. Investments in joint ventures

	<u>PT Bungasari Flour Mills Indonesia</u> 30%	<u>DTSB Group</u> 51%	As at 30.06.2022 RM'000
<i>Percentage of ownership interest</i>			
At cost	RM'000	RM'000	RM'000
Unquoted shares	192,865	463,192	656,057
Share of post-acquisition reserves	(12,309)	(918)	(13,226)
	<u>180,556</u>	<u>462,274</u>	<u>642,831</u>
	RM'000	RM'000	As at 31.12.2021 RM'000
At cost			
Unquoted shares	192,865	463,192	656,057
Share of post-acquisition reserves	(16,374)	(10,466)	(26,840)
	<u>176,491</u>	<u>452,726</u>	<u>629,217</u>

22. Changes in Material Litigation

There were no pending material litigations as at the date of this report.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
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23. 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		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company				
- continuing operations	31,646	18,775	51,962	60,197
- discontinued operations	-	109,537	-	85,773
	<u>31,646</u>	<u>128,312</u>	<u>51,962</u>	<u>145,970</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	<u>1,019,903</u>	<u>1,019,209</u>	<u>1,019,808</u>	<u>1,016,702</u>
Basic earnings per ordinary share (sen)				
- continuing operations	3.10	1.84	5.10	5.92
- discontinued operations	-	10.75	-	8.44
	<u>3.10</u>	<u>12.59</u>	<u>5.10</u>	<u>14.36</u>

(b) Diluted Earnings Per Ordinary Share

The diluted earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period after adjustment for the effects of all dilutive potential ordinary shares comprising RCULS and Warrants.

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company				
- continuing operations	31,646	18,775	51,962	60,197
Interest expense on RCULS, net of tax	796	305	1,101	611
	<u>32,442</u>	<u>19,080</u>	<u>53,063</u>	<u>60,808</u>
- discontinued operations	-	109,537	-	85,773
	<u>32,442</u>	<u>128,617</u>	<u>53,063</u>	<u>146,581</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	<u>1,019,903</u>	<u>1,019,209</u>	<u>1,019,808</u>	<u>1,016,702</u>
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	219,118	219,568	219,118	219,568
- Assumed exercise of Warrants	-	136,688	-	136,688
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	<u>1,239,021</u>	<u>1,375,465</u>	<u>1,238,926</u>	<u>1,372,958</u>
Diluted earnings per ordinary share (sen)				
- continuing operations	2.62	1.39	4.28	4.43
- discontinued operations	-	7.96	-	6.25
	<u>2.62</u>	<u>9.35</u>	<u>4.28</u>	<u>10.68</u>

The Warrants were anti-dilutive during the current quarter and 1H2022 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 diluted earnings per ordinary share.

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24. Profit for the period

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Continuing and discontinued operations				
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	10,374	13,721	20,289	31,802
Depreciation of right-of-use assets	725	876	1,320	1,616
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	9,119	2,559	15,768	7,708
Interest expense from discontinued operations	-	3,620	-	13,160
Net realised loss on future and option contracts	1,512	2,891	1,766	11,852
Net unrealised loss on future and option contracts	(744)	-	-	-
Net unrealised loss on foreign exchange	6,201	-	7,911	-
Property, plant and equipment written off	41	13	42	344
Fair value (gain)/ loss on biological assets	-	-	-	6,797
Impairment loss of trade receivables	86	144	308	747
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	4,306	9,481	9,239	18,758
- debtors	110	(71)	364	86
Gain on deconsolidation of subsidiaries	-	126,191	-	126,191
Insurance recoveries	120	(49)	170	78
Net unrealised gain/(loss) on future and option contracts	2,874	(1,818)	2,874	2,806
Net realised gain/(loss) on foreign exchange	(1,012)	860	303	1,134
Net unrealised gain/(loss) on foreign exchange	-	(413)	-	419
Gain on disposal of property, plant and equipment	-	207	-	232
Reversal of impairment loss of trade receivables	1,255	(342)	1,984	780

25. Derivatives

(a) Contract and fair value of derivatives

	As at 30.06.2022		As at 31.12.2021	
	Contract value	Fair value	Contract value	Fair value
	RM'000	RM'000	RM'000	RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	267,642	271,794	-	-
- Future and option contracts	13,795	17,438	11,983	12,726
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	300,725	298,649
- Future and option contracts	31	-	806	802

(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2021: 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	
	Profit or loss	Profit or loss
	30.06.2022	30.06.2021
	RM'000	RM'000
Group	17,917	13,505

(c) Liquidity risk

The contract values of the derivatives disclosed in Note 25(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 2021.

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Notes to the Financial Report for the Financial Period Ended 30 June 2022

26. Net gains and losses arising from financial instruments

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<i>Continuing operations and discontinued operations</i>				
Net (losses)/gains on:				
Financial assets/(liabilities) at fair value through profit or loss:				
Mandatorily required by MFRS 9				
- foreign currency forward contracts	4,105	(5,172)	6,227	7,651
- future and option contracts	2,106	(5,924)	1,108	(10,260)
- liquid investments	86	361	150	564
Financial assets at amortised cost	3,824	9,168	9,453	19,040
Financial liabilities measured at amortised cost	(20,295)	(2,834)	(29,316)	(27,014)
	<u>(10,174)</u>	<u>(4,401)</u>	<u>(12,378)</u>	<u>(10,019)</u>

For the 6 months ending 30 June 2022, the net loss was mainly due to interest expense on borrowings and unrealised loss on foreign exchange but was partially offset by interest income and reversal of impairment of receivables.

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

25 August 2022