

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

	(Unaudited) As at 30.09.2022 RM '000	(Audited) As at 31.12.2021 RM '000
Assets		
Property, plant and equipment	431,450	436,379
Intangible assets	218	341
Investment properties	4,897	4,941
Right-of-use assets	19,760	21,747
Investments in joint ventures	21 666,831	629,217
Investment in an associate	1,092	1,052
Deferred tax assets	9,549	6,730
Other receivables	182,217	182,217
Total non-current assets	1,316,014	1,282,624
Trade and other receivables, including derivatives	475,887	381,590
Prepayments and other assets	3,577	1,661
Inventories	817,327	494,000
Current tax assets	3,616	3,612
Cash and cash equivalents	305,365	534,529
	1,605,772	1,415,392
Asset classified as held for sale	33,597	33,597
Total current assets	1,639,369	1,448,989
Total assets	2,955,383	2,731,613
Share capital	535,841	535,623
Reserves	732,769	640,512
RCULS - Equity	78,751	78,179
Total equity attributable to owners of the Company	1,347,361	1,254,314
Non-controlling interests	108,061	96,242
Total equity	1,455,422	1,350,556
Liabilities		
Deferred tax liabilities	7,107	5,879
RCULS - Liabilities	2,127	7,310
Lease liabilities	11,913	13,499
Loans and borrowings	124,390	166,949
Total non-current liabilities	145,537	193,637
RCULS - Liabilities	4,724	4,657
Lease liabilities	1,997	1,551
Trade and other payables, including derivatives	111,858	127,046
Loans and borrowings	1,226,025	1,045,163
Current tax liabilities	9,819	9,003
Total current liabilities	1,354,423	1,187,420
Total liabilities	1,499,960	1,381,057
Total equity and liabilities	2,955,383	2,731,613
Net assets per share attributable to owners of the Company (RM)	1.32	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 September 2022

	Note	3 months ended		Financial Period Ended	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
		RM '000	RM '000	RM '000	RM '000
Continuing operations					
Revenue		799,453	620,519	2,096,006	1,732,247
Cost of goods sold		(723,262)	(549,363)	(1,895,300)	(1,520,742)
Gross profit		76,191	71,156	200,706	211,505
Operating expenses		(35,091)	(22,942)	(89,622)	(77,692)
Results from operating activities		41,101	48,214	111,084	133,813
Interest expense		(11,790)	(6,489)	(27,558)	(14,197)
Interest income		4,565	4,852	14,168	23,696
Net finance (expenses)/income		(7,225)	(1,637)	(13,390)	9,499
Provision for Profit Guarantee Payment (Note 13)		-	(15,000)	-	(15,000)
Share of profit/(loss) of equity accounted joint ventures, net of tax		19,056	(13,941)	30,253	(20,374)
Share of loss of equity accounted associate, net of tax		(4)	(6)	(13)	(14)
Profit before tax		52,928	17,630	127,934	107,924
Tax expense	17	(5,549)	(7,865)	(18,459)	(26,044)
Profit from continuing operations		47,379	9,765	109,475	81,880
Discontinued operations arising from deconsolidation of subsidiaries					
Profit from discontinued operations, net of tax	18	-	-	-	85,773
Profit for the period		47,379	9,765	109,475	167,653
Profit attributable to:					
Owners of the Company					
- from continuing operations		46,209	3,914	98,171	64,111
- from discontinued operations		-	-	-	85,773
		46,209	3,914	98,171	149,884
Non-controlling interests		1,170	5,851	11,304	17,769
Profit for the period		47,379	9,765	109,475	167,653
Basic earnings per ordinary share (sen)					
- from continuing operations	23	4.53	0.38	9.63	6.30
- from discontinued operations	23	-	-	-	8.43
Diluted earnings per ordinary share (sen)					
- from continuing operations	23	3.75	0.31	8.04	4.73
- from discontinued operations	23	-	-	-	6.24

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 September 2022

	3 months ended		Financial Year Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM '000	RM '000	RM '000	RM '000
Profit for the period	47,379	9,765	109,475	167,653
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	12,257	12,525	35,047	26,624
Total comprehensive income for the period	59,636	22,290	144,522	194,277
Total comprehensive income attributable to:				
Owners of the Company				
- from continuing operations	57,612	14,865	127,956	86,492
- from discontinued operations	-	-	-	85,773
Minority interests	2,024	7,425	16,566	22,012
Total comprehensive income for the period	59,636	22,290	144,522	194,277

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 September 2022

	← Attributable to Owners of the Company →					→ Distributable	Total	Non-controlling interests	Total Equity
	Share Capital	Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Equity component	Warrant reserve	Other capital reserve	Translation reserve				
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	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	-	-	-	-	29,785	98,171	127,956	16,566	144,522
Conversion of RCULS	218	572	-	-	-	-	790	-	790
Dividends to owners of the Company	-	-	-	-	-	(35,700)	(35,700)	(4,747)	(40,446)
Balance at 30.9.2022	535,841	78,751	17,770	93,065	(4,622)	626,556	1,347,361	108,061	1,455,422

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 September 2022

	9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000
Cash Flows From Operating Activities		
Profit before tax from :		
- continuing operations	127,934	107,924
- discontinued operations	-	81,526
	<u>127,934</u>	<u>189,450</u>
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	30,075	40,431
Depreciation of right-of-use assets	1,986	2,215
Dividend income	(4)	(7)
Gain on deconsolidation of subsidiaries	-	(126,191)
Gain on disposal of property, plant and equipment	-	(232)
Loss on lease modification	252	-
Interest expense	27,558	18,618
Interest income	(14,168)	(14,958)
Net gain on impairment of financial assets	(1,849)	1,392
Property, plant and equipment and intangible assets written off	50	345
Share of loss/ (profit) of equity accounted joint ventures, net of tax	(30,253)	20,374
Share of loss of equity accounted associate, net of tax	13	14
Net unrealised loss/(gain) on foreign exchange	8,985	(3,591)
Operating profit before changes in working capital	<u>150,578</u>	<u>127,860</u>
Inventories	(303,522)	(285,308)
Biological assets	-	(365)
Trade and other receivables, prepayments and other financial assets	(87,172)	(50,427)
Trade and other payables and other financial liabilities	<u>12,639</u>	<u>(22,371)</u>
Cash used in operations	<u>(227,477)</u>	<u>(230,612)</u>
Net income tax paid	(19,917)	(19,554)
Interest received	14,168	14,958
Interest paid	<u>(26,153)</u>	<u>(17,702)</u>
Net cash used in operating activities	<u>(259,379)</u>	<u>(252,910)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(22,759)	(35,797)
Dividend income	4	7
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>(22,755)</u>	<u>97,014</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(35,700)	(10,181)
Dividends paid to non-controlling interests	(20,572)	(10,268)
Net proceeds from loans and borrowings	87,618	262,221
Payment of lease liabilities	(1,246)	(1,714)
RCULS coupon paid	(5,481)	(5,593)
Proceeds from issuance of shares pursuant to the exercise of the warrants	-	599
Net cash generated from financing activities	<u>24,620</u>	<u>235,064</u>
Net (decrease)/increase in Cash and Cash Equivalents	(257,514)	79,168
Effect of exchange rate fluctuations on cash held	28,350	21,921
Cash and Cash Equivalents at Beginning of Year	534,529	404,627
Cash and Cash Equivalents at End of Financial Period	305,365	505,716

Cash and Cash Equivalents

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

	9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000
Deposits placed with licensed banks	252,949	477,999
Cash and bank balances	33,999	21,474
Liquid investments	18,418	6,243
	<u>305,365</u>	<u>505,716</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, 186,000 new ordinary shares were issued and allotted arising from the conversion of RM93,000 nominal value of RCULS at the conversion price of RM0.50 each.

As at 30 September 2022, the outstanding nominal value of RCULS is RM109,466,187.

Warrants

In the current quarter, there were no Warrants exercised.

As at 30 September 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 RM535,841,090 comprising 1,020,089,009 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 ended 30 September 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 interim dividend of 1.5 sen per ordinary share in respect of the current financial year ending 31 December 2022, amounting to RM15,301,329 was paid on 23 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 September 2022, the outstanding loans proportionately amounted to USD8.9 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 released 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 (Potential VAT underpayment : IDR 66.262.679.462 and the penalty : IDR 39.757.607.677). 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 (VAT Dec 2017 : IDR 3.064.867.710) was in accordance to PT Bungasari's (Tax Auditor'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 30.09.2022 RM'000	As at 31.12.2021 RM'000
Property, plant and equipment		
Contracted but not provided for	24,670	8,801
Joint ventures		
- Share of commitment of joint ventures	23,594	7,543

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 September 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 September 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 9 months ended 30 September 2022			
	Continuing operations			
	Flour and grains trading	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	2,062,237	-	52,757	2,114,993
Eliminations - inter-segment	(18,988)	-	-	(18,988)
Revenue	2,043,249	-	52,757	2,096,006
Results from operating activities	114,038	-	(2,954)	111,084
Interest expense				(27,558)
Interest income				14,168
Share of profit of equity accounted joint ventures, net of tax	1,459	28,794	-	30,253
Share of loss of equity accounted associate, net of tax				(13)
Profit before tax				127,934
Segments assets	2,178,923	-	108,537	2,287,460
Investments in joint ventures	185,310	481,521	-	666,831
Investment in an associate	-	-	1,092	1,092
Total segment assets - continuing operations	2,364,233	481,521	109,629	2,955,383

	Results for 9 months ended 30 September 2022	
	PT Bungasari Flour Mills	Poultry Integration (DTSB Group)
	RM'000	RM'000
Revenue	1,280,352	806,871
Results from operating activities	20,640	57,754
Interest expense	(12,733)	(4,466)
Interest income	432	309
Profit before tax	8,339	53,598
Tax expense	(3,475)	2,862
Profit after tax	4,864	56,459
Share of profit of equity accounted joint ventures	1,459	28,794
Segment assets	1,704,982	1,278,442

	Results for 9 months ended 30 September 2021			
	Continuing operations			
	Flour and grains trading RM'000	Poultry Integration (DTSB Group) RM'000	Others RM'000	Total RM'000
Total segment revenue	1,704,230	-	40,677	1,744,907
Eliminations - inter-segment	(12,660)	-	-	(12,660)
Revenue	1,691,570	-	40,677	1,732,247
Results from operating activities	121,788	-	(2,975)	118,813
Interest expense			(95)	(14,197)
Interest income				23,696
Share of profit/(loss) of equity accounted joint venture, net of tax	6,572	(26,946)	-	(20,374)
Share of loss of equity accounted associate, net of tax				(14)
Profit before tax				107,924
Profit from discontinued operations, net of tax				85,773
Segments assets	2,053,901	-	105,634	2,159,535
Investment in a joint venture	175,474	410,197	-	585,671
Investment in an associate	-	-	1,057	1,057
Total segment assets - continuing operations	2,229,375	410,197	106,691	2,746,263

	Results for 9 months ended 30 September 2021	
	PT Bungasari Flour Mills RM'000	Poultry Integration (DTSB Group) RM'000
	Revenue	1,109,613
Results from operating activities	36,780	(102,093)
Interest expense	(8,237)	(14,927)
Interest income	704	379
Profit/(Loss) before tax	29,247	(116,641)
Tax expense	(7,341)	23,389
Profit/(Loss) after tax	21,906	(93,252)
Share of profit/(loss) of equity accounted joint ventures	6,572	(26,946)
Segment assets	1,559,463	965,773

* 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.

13. Performance Review

Financial review for current quarter was as follows:

Continuing operations

	3 months ended		Changes %	9 months ended		Changes %
	30.09.2022 RM'000	30.09.2021 RM'000		30.09.2022 RM'000	30.09.2021 RM'000	
Revenue	799,453	620,519	28.8%	2,096,006	1,732,247	21.0%
Results from operating activities	41,101	48,214	(14.8%)	111,084	133,813	(17.0%)
Profit before tax	52,928	17,630	200.2%	127,934	107,924	18.5%
Profit after tax	47,379	9,765	385.2%	109,475	81,880	33.7%
Profit attributable to owners of the Company	46,209	3,914	1080.6%	98,171	64,111	53.1%

Review of Quarter-on-Quarter results

For the quarter ended 30 September 2022 (Q3 2022), the Group recorded a revenue of RM799.4 million, an increase of 28.8% from RM620.5 million registered in the same quarter ended 30 September 2021 (Q3 2021). This was attributed to higher sales recorded in the flour and grains trading segment which increased by 28.7%.

The Group recorded an operating profit of RM41.1 million in Q3 2022 as compared to an operating profit of RM48.2 million in Q3 2021, primarily due to lower profits from flour and grains trading segment. The Group's share of profit in equity accounted joint ventures in Q3 2022 amounted to RM19.1 million as compared to a share of loss of RM13.9 million in Q3 2021. Consequently, for its continuing operations, the Group recorded a profit before tax ("PBT") of RM52.9 million in Q3 2022 as compared to RM17.6 million in Q3 2021. The main factors were as follows:-

- (i) The flour and grains trading generated an operating profit of RM40.5 million in Q3 2022 as compared to RM33.9 million in Q3 2021. Flour and grains trading segment's operating profit improved by 19.2% in Q3 2022, mainly attributed to provision for profit guarantee payment of RM15 million in Q3 2021 and have largely offset the adverse commodity price impact and weakening of MYR and VND in foreign exchange translation; and
- (ii) In Q3 2022, the Group's share of loss of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM0.2 million as compared to a share of profit of RM2.8 million in Q3 2021, mainly due to lower sales volume that was impacted by increase in input costs, unfavourable foreign exchange from a weaker IDR and higher interest expense; and
- (iii) In Q3 2022, the Group's share of profit of equity accounted joint venture, Dindings Tyson Sdn Bhd ("DTSB") amounted to RM19.2 million as compared to a share of loss of RM16.7 million in Q3 2021. The improved performance of DTSB was largely driven by higher selling prices in all segment, better sales mix with improved farm performance and chicken subsidy from the Malaysian Government in Q3 2022; and
- (iv) Net interest expense of RM7.2 million was incurred in Q3 2022 as compared to RM1.6 million in Q3 2021. The increase was mainly due to the higher interest rate coupled with lower interest income after capitalisation of intercompany advances from DTSB Group and novation of term loan to MFM from DTSB Group in the preceding quarter.

The Others segment includes the results from aqua feedmilling business.

Review of Year-on-Year results

Revenue increased by 21% to RM2.1 billion for the financial period ended 30 September 2022 as compared to RM1.7 billion posted in the preceding year, underpinned by price adjustment strategy in the flour and grains trading segment which supported the growth of 20.8% with demand improving as the countries move towards Covid-19 endemicity.

The Group recorded an operating profit of RM111.08 million in the financial period ended 30 September 2022 as compared to an operating profit of RM133.8 million in the preceding year. The Group's share of profit in equity accounted joint ventures in the financial period ended 30 September 2022 amounted to RM30.3 million as compared to a share of loss of RM20.4 million in the preceding year. Consequently, the Group recorded a PBT of RM127.9 million in the financial period ended 30 September 2022 as compared to a PBT of RM107.9 million in the preceding year. This was attributable to:-

- (i) The flour and grains trading segment generated an operating profit of RM114 million as compared to an operating profit of RM121.8 million in the preceding year, mainly attributed to higher wheat costs and foreign exchange translation loss from a weaker MYR & VND; and
- (ii) In the financial period ended 30 September 2022, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM1.5 million as compared to a share of profit of RM6.6 million in the preceding year. The performance was adversely impacted by high commodity prices and interest rate coupled with foreign exchange translation loss from a weaker IDR; and
- (iii) In the 9 months ended 30 September 2022, the Group's share of profit of equity accounted joint venture, DTSB Group amounted to RM28.8 million as compared to share of loss of RM26.9 million in the preceding year. The turnaround of the performance of DTSB was contributed mainly by price increase with better sales mix, chicken subsidy from the Malaysian Government, higher plant utilization and improved farm performances coupled with lower interest expense arising from capitalising of inter-co advances; and
- (iv) A net interest expense of RM13.4 million was incurred in the 9 months ended 30 September 2022 as compared to a net interest income of RM9.5 million in the preceding year. 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 the preceding year, an increase in interest expenses arising from higher interest rate and higher borrowings attributed to the escalating commodity prices.

Discontinued operations arising from deconsolidation of subsidiaries

	3 months ended		Changes	9 months ended		Changes
	30.09.2022	30.09.2021		30.09.2022	30.09.2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Loss from discontinued operations, net of tax	-	-	-	-	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.

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 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000	Changes %
Revenue	799,453	661,676	20.8%
Results from operating activities	41,101	30,831	33.3%
Profit before tax	52,928	41,482	27.6%
Profit after tax	47,379	36,033	31.5%
Profit attributable to owners of the Company	46,209	31,646	46.0%

Revenue increased by 20.8% against the preceding quarter, primarily attributed to higher revenue and volume arising from price adjustment and improved sales mix with robust domestic sales demand.

The Group's profit before tax increased by 27.6% to RM52.9 million (Q1 2022: RM41.5 million) mainly due to :

- (i) increase in sales volume from most segments but partially offset by rising input costs and interest rate coupled with foreign exchange translation loss; and
- (ii) lower share of results accounted joint ventures from joint venture, PT Bungasari Flour Mills Indonesia by RM1.0 million in current quarter on higher input costs and unfavourable foreign exchange losses; and
- (ii) higher share of results of equity accounted joint ventures from joint venture, DTSB Group by RM4.7 million in current quarter at the back of improved farm performance and chicken subsidy from the Malaysian Government.

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 is expected to experience challenges in the remaining months of 2022 arising from continuing macro uncertainties. Whilst some commodity prices began to stabilise, prices of wheat are expected to stay elevated into 2023 with global weather changes. Rising inflation and the weakening of MYR in the face of the strong USD will further compound the cost pressure. 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, the Company will continue to act proactively to navigate the volatile environment and take deliberate steps to enhance our resiliency through forward engagement with key customers and to adjust prices accordingly.

c. Poultry Industry

In view that the Malaysian Government has partially lifted its chicken export ban on 11 October 2022 after imposing it on 1 June 2022 as well as improved domestic economic prospect and our synergistic partnership with Tyson International Holding Company since end May 2021, the Company is optimistic of its outlook for the remaining of 2022 and beyond.

The Group continues to be cautious on the macroeconomic outlook. Market conditions remain challenging given the continued pressure from global supply chain disruptions, rising cost of raw materials, weakening ringgit and rising inflation that could further dampen consumer purchasing power. In spite of these challenges, the Group expects to remain profitable for the financial year ending 31 December 2022.

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

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

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

17. Income Tax Expense

Continuing operations

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	8,295	10,232	21,528	28,996
- prior year	(1,237)	(1,379)	(1,228)	(1,373)
Deferred tax				
- Origination and reversal of temporary difference	(1,508)	(988)	(1,841)	(1,654)
- Under provision in prior year	-	-	-	75
	<u>5,550</u>	<u>7,865</u>	<u>18,459</u>	<u>26,044</u>

Excluding the share of profit/(loss) in equity accounted joint ventures, the Group's effective tax rate during the quarter ended 30 September 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 previous year 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 15 November 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 ended 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:

Purpose	Proposed Utilisation	As at 30 September 2022		Timeframe for Utilisation	Deviation Over spent	
		Actual Utilisation	Balance Unutilised		RM' million	%
	RM' million	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>	<u>*</u>

* The additional expenses incurred were paid from working capital.

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

20. Group's Borrowings and Debt Securities

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

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	124,390	158,260
Denominated in US Dollar (i)	-	8,689
	<u>124,390</u>	<u>166,949</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	357,672	256,774
Denominated in US Dollar (i)	693,851	661,029
Denominated in Vietnamese Dong (ii)	118,253	76,311
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,160	45,160
Denominated in US Dollar (i)	11,089	5,889
	<u>1,226,025</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 RM704,940,000 equivalent to USD152,123,000 translated at USD/MYR rate of 4.634 (2021: RM675,607,000 equivalent to USD162,211,000 translated at USD/MYR rate of 4.1650); and
- (ii) Denominated in VND of RM152,123,000 equivalent to VND612,188 million translated at VND/MYR rate of 5,177 (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 September 2022 were as follows:

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
RCULS - Liability component		
Non-current	2,127	7,310
Current	4,724	4,657
	<u>6,851</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 30.09.2022 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	(7,555)	18,329	10,774
	<u>185,310</u>	<u>481,521</u>	<u>666,831</u>
	RM'000	RM'000	As at 31.12.2021 RM'000
At cost	RM'000	RM'000	RM'000
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))
Notes to the Financial Report for the Financial Period Ended 30 September 2022

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		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company				
- continuing operations	46,209	3,914	98,171	64,111
- discontinued operations	-	-	-	85,773
	<u>46,209</u>	<u>3,914</u>	<u>98,171</u>	<u>149,884</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	<u>1,019,952</u>	<u>1,019,519</u>	<u>1,019,856</u>	<u>1,017,651</u>
Basic earnings per ordinary share (sen)				
- continuing operations	4.53	0.38	9.63	6.30
- discontinued operations	-	-	-	8.43
	<u>4.53</u>	<u>0.38</u>	<u>9.63</u>	<u>14.73</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		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company				
- continuing operations	46,209	3,914	98,171	64,111
Interest expense on RCULS, net of tax	305	305	1,406	916
	<u>46,514</u>	<u>4,219</u>	<u>99,577</u>	<u>65,027</u>
- discontinued operations	-	-	-	85,773
	<u>46,514</u>	<u>4,219</u>	<u>99,577</u>	<u>150,800</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	<u>1,019,952</u>	<u>1,019,519</u>	<u>1,019,856</u>	<u>1,017,651</u>
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	218,932	219,368	218,932	219,368
- Assumed exercise of Warrants	-	136,688	-	136,688
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	<u>1,238,884</u>	<u>1,375,575</u>	<u>1,238,789</u>	<u>1,373,707</u>
Diluted earnings per ordinary share (sen)				
- continuing operations	3.75	0.31	8.04	4.73
- discontinued operations	-	-	-	6.24
	<u>3.75</u>	<u>0.31</u>	<u>8.04</u>	<u>10.98</u>

The Warrants were anti-dilutive during the current quarter and 9 months ended 30 September 2022 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 (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 September 2022

24. Profit for the period

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	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	9,786	8,629	30,075	40,431
Depreciation of right-of-use assets	666	599	1,986	2,215
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	11,790	6,489	27,558	14,197
Interest expense from discontinued operations	-	-	-	13,160
Net realised (gain)/loss on future and option contracts	(3,430)	(4,433)	(1,665)	7,419
Property, plant and equipment written off	8	(330)	50	14
Fair value (gain)/ loss on biological assets	-	(6,797)	-	-
Impairment loss of trade receivables	321	1,599	628	2,346
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	4,507	4,767	13,746	23,525
- debtors	58	85	422	171
Gain on deconsolidation of subsidiaries	-	126,191	-	126,191
Insurance recoveries	67	(20)	237	58
Net unrealised gain/(loss) on future and option contracts	(8,822)	(711)	(5,948)	2,095
Net realised gain/(loss) on foreign exchange	(7,683)	(120)	(7,380)	1,014
Net unrealised gain/(loss) on foreign exchange	(1,074)	3,158	(8,985)	3,577
Gain on disposal of property, plant and equipment	-	(6)	-	226
Reversal of impairment loss of trade receivables	494	174	2,478	954

25. Derivatives

(a) Contract and fair value of derivatives

	As at 30.09.2022		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	-	-	-	-
- Future and option contracts	1,715	(3,494)	802	806
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	440,104	451,035	300,725	298,649
- Future and option contracts	-	-	12,726	11,983

(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:

	9 months ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
Group	10,066	13,971

(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.

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

26. Net gains and losses arising from financial instruments

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	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	6,780	(1,062)	13,007	6,589
- future and option contracts	(5,391)	3,721	(4,283)	(6,539)
- liquid investments	28	(318)	178	246
Financial assets at amortised cost	6,860	3,745	16,313	22,785
Financial liabilities measured at amortised cost	(27,468)	(2,316)	(56,784)	(29,330)
	<u>(19,190)</u>	<u>3,770</u>	<u>(31,568)</u>	<u>(6,249)</u>

For the 9 months ended 30 September 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

21 November 2022