

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 March 2023

	(Unaudited) As at 31.03.2023 RM '000	(Audited) As at 31.12.2022 RM '000
Assets		
Property, plant and equipment	446,597	444,476
Intangible assets	686	566
Investment properties	4,869	4,883
Right-of-use assets	18,368	19,028
Investments in joint ventures	19 707,948	693,598
Investment in an associate	1,061	1,061
Deferred tax assets	5,311	5,771
Other receivables	71,065	71,065
Total non-current assets	1,255,905	1,240,448
Trade and other receivables, including derivatives	643,463	572,297
Prepayments and other assets	4,447	7,393
Inventories	613,128	627,831
Current tax assets	5,747	5,932
Fixed deposits	215,653	157,219
Cash and cash equivalents	72,225	86,710
	1,554,663	1,457,382
Asset classified as held for sale	33,597	33,597
Total current assets	1,588,260	1,490,979
Total assets	2,844,165	2,731,427
Share capital	536,290	535,902
Reserves	756,833	749,820
RCULS - Equity	78,325	78,694
Total equity attributable to owners of the Company	1,371,448	1,364,416
Non-controlling interests	105,204	101,677
Total equity	1,476,652	1,466,093
Liabilities		
Deferred tax liabilities	11,154	10,538
RCULS - Liabilities	-	2,126
Lease liabilities	10,884	11,353
Loans and borrowings	119,986	120,711
Total non-current liabilities	142,024	144,728
RCULS - Liabilities	4,568	5,026
Lease liabilities	1,993	2,070
Trade and other payables, including derivatives	97,396	125,304
Loans and borrowings	1,120,778	984,981
Current tax liabilities	754	3,225
Total current liabilities	1,225,489	1,120,606
Total liabilities	1,367,513	1,265,334
Total equity and liabilities	2,844,165	2,731,427
Net assets per share attributable to owners of the Company (RM)	1.34	1.34

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2022 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 31 March 2023

	Note	Financial Period Ended	
		31.03.2023	31.03.2022
		RM '000	RM '000
Revenue		826,694	634,877
Cost of goods sold		(782,456)	(571,417)
Gross profit		44,238	63,460
Operating expenses		(25,190)	(24,308)
Results from operating activities		19,048	39,152
Interest expense		(15,114)	(6,649)
Interest income		4,702	5,187
Net finance expenses		(10,412)	(1,462)
Share of profit/(loss) of equity accounted joint ventures, net of tax		6,784	(4,162)
Share of loss of equity accounted associate, net of tax		(4)	(4)
Profit before tax		15,416	33,524
Tax expense	17	(2,520)	(7,461)
Profit for the period		12,896	26,063
Profit attributable to:			
Owners of the Company		10,440	20,316
Non-controlling interests		2,456	5,747
Profit for the period		12,896	26,063
Basic earnings per ordinary share (sen)	21	1.02	1.99
Diluted earnings per ordinary share (sen)	21	0.77	1.66

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2022 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 31 March 2023

	Financial Period Ended	
	31.03.2023	31.03.2022
	RM '000	RM '000
Profit for the period	12,896	26,063
Other comprehensive income, net of tax		
Foreign currency translation differences for foreign operations	12,960	3,558
Total comprehensive income for the period	25,856	29,621
Total comprehensive income attributable to:		
Owners of the Company	22,329	23,320
Minority interests	3,527	6,301
Total comprehensive income for the period	25,856	29,621

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2022 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 31 March 2023

	Attributable to Owners of the Company					Retained Earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total Equity RM '000
	Non-Distributable								
	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 1.1.2022	535,623	78,179	17,770	93,065	(34,407)	564,084	1,254,314	96,242	1,350,556
Total comprehensive (expenses)/ income for the year	-	-	-	-	(37)	145,045	145,008	10,182	155,190
Conversion of RCULS	279	515	-	-	-	-	794	-	794
Dividends to owners of the Company	-	-	-	-	-	(35,700)	(35,700)	(4,747)	(40,447)
Balance at 31.12.2022	535,902	78,694	17,770	93,065	(34,444)	673,429	1,364,416	101,677	1,466,093
Balance at 1.1.2023	535,902	78,694	17,770	93,065	(34,444)	673,429	1,364,416	101,677	1,466,093
Total comprehensive income for the period	-	-	-	-	11,889	10,440	22,329	3,527	25,856
Conversion of RCULS	380	(369)	-	-	-	-	11	-	11
Issuance of shares pursuant to the exercise of warrants	8	-	(1)	-	-	-	7	-	7
Dividends to owners of the Company	-	-	-	-	-	(15,315)	(15,315)	-	(15,315)
Balance at 31.03.2023	536,290	78,325	17,769	93,065	(22,555)	668,554	1,371,448	105,204	1,476,652

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2022 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 31 March 2023

	3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Cash Flows From Operating Activities		
Profit before tax	15,416	33,524
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	8,768	9,915
Depreciation of right-of-use assets	650	595
Gain on lease modification	(9)	(37)
Interest expense	15,114	6,649
Interest income	(4,702)	(5,187)
Net reversal on impairment of financial assets	(227)	(507)
Property, plant and equipment and intangible assets written off	1	1
Share of (profit)/loss of equity accounted joint ventures, net of tax	(6,784)	4,162
Share of loss of equity accounted associate, net of tax	4	4
Net unrealised (gain)/loss on foreign exchange	(4,680)	1,710
Operating profit before changes in working capital	<u>23,551</u>	<u>50,829</u>
Inventories	14,702	(176,561)
Trade and other receivables, prepayments and other financial assets	(68,707)	(8,902)
Trade and other payables and other financial liabilities	<u>(16,105)</u>	<u>(5,628)</u>
Cash used in operations	(46,559)	(140,262)
Net income tax paid	(3,748)	(10,244)
Interest received	4,702	5,187
Interest paid	<u>(14,948)</u>	<u>(6,344)</u>
Net cash used in operating activities	<u>(60,553)</u>	<u>(151,663)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(9,732)	(7,405)
(Increase)/Decrease in fixed deposits	<u>(58,434)</u>	<u>56,691</u>
Net cash (used in)/ generated from investing activities	<u>(68,166)</u>	<u>49,286</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(15,315)	(20,398)
Dividends paid to non-controlling interests	-	(15,825)
Net proceeds from loans and borrowings	128,661	85,746
Payment of lease liabilities	(507)	(165)
RCULS coupon paid	(2,735)	(2,742)
Proceeds from issuance of shares pursuant to the exercise of the warrants	7	-
Net cash generated from financing activities	<u>110,111</u>	<u>46,616</u>
Net decrease in Cash and Cash Equivalents	(18,608)	(55,761)
Effect of exchange rate fluctuations on cash held	4,123	3,070
Cash and Cash Equivalents at Beginning of Year	86,710	214,077
Cash and Cash Equivalents at End of Financial Period	<u>72,225</u>	<u>161,386</u>

Cash and Cash Equivalents

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

	3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Deposits placed with licensed banks	23,989	80,528
Cash and bank balances	48,236	68,839
Liquid investments	-	12,019
	<u>72,225</u>	<u>161,386</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2022 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 2022.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2022 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 2022, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2023 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 current quarter, 760,966 new ordinary shares were issued and allotted arising from the conversion of RM380,483 nominal value of RCULS at the conversion price of RM0.50 each.

As at 31 March 2023, the outstanding nominal value of RCULS is RM109,025,104.

Warrants

In the current quarter, there were 9,920 Warrants exercised which resulted in 9,920 new ordinary shares at the issue price of RM0.68 each being issued and thereafter listed on the Main Market of Bursa Securities.

As at 31 March 2023, the total number of Warrants which remained unexercised was 136,678,397.

Accordingly, the issued and paid-up share capital of the Company increased to RM536,290,249 comprising 1,020,981,145 ordinary shares following the RCULS conversion and warrant exercise above.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ended 31 March 2023.

7. Dividend

The interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2022, amounting to RM15,315,000 was paid on 24 March 2023.

The Directors do not recommend any payment of dividend for the current financial period ended 31 March 2023.

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 ("PT Bungasari"). As at 31 March 2023, the outstanding loans proportionately amounted to USD6.9 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 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 value-added tax ("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. Based on the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this VAT year 2017, PT Bungasari has filed for a judicial review at the Supreme Court to overturn the results of the Tax Court. On 22 December 2022, the Supreme Court issued decrees in favour of PT Bungasari in respect of the VAT for year 2017 assessment for the month of April, May and August; on 26 January 2023 for the month of March, June, July, September, November and December and on 28 February 2023 for the month of February. Tax period for the month of January and October are still under the Supreme Court review and the results are expected to be in consistent with the concluded months.

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.

b) Dindings Poultry Development Centre Sdn Bhd, a wholly owned subsidiary of our joint venture company, Dindings Tyson Sdn Bhd

Dindings Poultry Development Centre Sdn Bhd ("DPDC"), 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 million. DPDC denies that it is liable for the said penalty and refutes the basis of the calculation applied by MyCC. DPDC submitted its written submission to MyCC on 31 January 2023 rebutting the allegation of the aforesaid infringement.

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 concurs with DPDC's position and is of the view that there is no financial impact to the Group.

10. Capital Commitments

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Property, plant and equipment		
Contracted but not provided for	6,302	22,419
Joint ventures		
- Share of commitment of joint ventures	18,927	24,467

11. Changes in Composition of the Group

There were no changes to the corporate structure of the Group for the financial period ended 31 March 2023.

12. Segmental Information

Results for 3 months ended 31 March 2023

	Flour and grain trading	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	813,677	-	19,540	833,217
Eliminations - inter-segment	(6,523)	-	-	(6,523)
Revenue	807,154	-	19,540	826,694
Results from operating activities	18,368	-	680	19,048
Interest expense				(15,114)
Interest income				4,702
Share of (loss)/profit of equity accounted joint ventures, net of tax	(8,563)	15,347	-	6,784
Share of loss of equity accounted associate, net of tax				(4)
Profit before tax				15,416
Segments assets	2,024,808	-	110,348	2,135,156
Investments in joint ventures	162,842	545,106	-	707,948
Investment in an associate	-	-	1,061	1,061
Total segment assets	2,187,650	545,106	111,409	2,844,165

Results for 3 months ended 31 March 2023

	PT Bungasari Flour Mills Indonesia	Poultry Integration (DTSB Group)
	RM'000	RM'000
Revenue	557,159	305,973
(Loss)/Profit before tax	(28,216)	31,363
Tax expense	(323)	(1,271)
(Loss)/Profit after tax	(28,539)	30,092
Share of (loss)/profit of equity accounted joint ventures	(8,563)	15,347
Segment assets	1,462,086	1,348,099

12. Segmental Information

Results for 3 months ended 31 March 2022

	Flour and grain trading	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	626,367	-	13,714	640,081
Eliminations - inter-segment	(5,204)	-	-	(5,204)
Revenue	621,163	-	13,714	634,877
Results from operating activities	40,423	-	(1,271)	39,152
Interest expense				(6,649)
Interest income				5,187
Share of profit/(loss) of equity accounted joint venture, net of tax	836	(4,998)	-	(4,162)
Share of loss of equity accounted associate, net of tax				(4)
Profit before tax				33,524
Segments assets	2,072,865	-	106,356	2,179,221
Investment in a joint venture	177,923	447,728	-	625,651
Investment in an associate	-	-	1,053	1,053
Total segment assets	2,250,788	447,728	107,409	2,805,925

Results for 3 months ended 31 March 2022

	PT Bungasari Flour Mills Indonesia	Poultry Integration (DTSB Group)
	RM'000	RM'000
Revenue	468,981	231,233
Profit/(Loss) before tax	4,289	(14,640)
Tax (expense)/credit	(1,501)	4,839
Profit/(Loss) after tax	2,788	(9,801)
Share of profit/(loss) of equity accounted joint ventures	836	(4,998)
Segment assets	1,652,115	1,155,951

13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes
	31.03.2023	31.03.2022	
	RM'000	RM'000	%
Revenue	826,694	634,877	30.2%
Results from operating activities	19,048	39,152	(51.3%)
Profit before tax	15,416	33,524	(54.0%)
Profit after tax	12,896	26,063	(50.5%)
Profit attributable to owners of the Company	10,440	20,316	(48.6%)

Review of Quarter-on-Quarter results

The Group recorded revenue of RM826.7 million in Q1 2023, an increase of 30% compared to Q1 2022's revenue of RM634.9 million mainly attributed to higher sales recorded in the flour and grain trading segment.

In Q1 2023, the Group's operating profit was RM19.0 million as compared to RM39.2 million in Q1 2022, primarily due to lower profits from flour and grain trading segment. The Group's share of profit in equity accounted joint ventures in Q1 2023 amount to RM6.8 million as compared to a share of loss of RM4.2 million in Q1 2022. Overall, the Group recorded a profit before tax ("PBT") of RM15.4 million as compared to RM33.5 million in Q1 2022. The main factors were as follows:-

- (i) The flour and grain trading generated an operating profit of RM18.4 million in Q1 2023 as compared to RM40.4 million in Q1 2022. Flour and grain trading operating profit declined by 55% in Q1 2023, mainly attributed to higher input costs due to rising commodity prices coupled with the weakening of MYR and VND in foreign exchange translation which were partially set off by increase in selling prices;
- (ii) The Group's share of loss of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM8.6 million in Q1 2023 as compared to a share of profit of RM0.8 million Q1 2022. The loss is largely attributable to lower contribution margins with an increase in input cost, higher interest expense and partially offset with higher foreign currency gain;
- (iii) In Q1 2023, the Group's share of profit of equity accounted joint venture, Dindings Tyson Sdn Bhd ("DTSB") amounted to RM15.3 million as compared to share of loss of RM5 million in Q1 2022 due to sales volume and price increase with better sales mix, chicken subsidy from the Malaysian Government and improved farm performance; and
- (iv) Net interest expenses of RM10.4 million was incurred in Q1 2023 as compared to RM1.5 million in Q1 2022. The increase is mainly due to higher interest rates and higher utilisation of trade facilities in Q1 2023 as compared to Q1 2022.

The Others segment includes the results from aqua feedmilling business. The operating profit from this segment improved to RM0.7 million in Q1 2023 as compared to a loss of RM1.3 million in same quarter last year. This is largely driven by increased sales volume and selling prices, partially set off with higher raw material costs in aqua feeds.

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

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

	Current	Immediate	Changes
	Quarter	Preceding	
	31.03.2023	31.12.2022	
	RM'000	RM'000	%
Revenue	826,694	819,564	0.9%
Results from operating activities	19,048	14,120	34.9%
Profit before tax	15,416	51,510	(70.1%)
Profit after tax	12,896	44,525	(71.0%)
Profit attributable to owners of the Company	10,440	46,874	(77.7%)

Operating profit increased by 34.9% against the preceding quarter, primarily attributable to better contribution margins arising from flour and grain segment and the aqua feed milling business.

The Group's PBT decreased to RM15.4 million (Q4 2022: RM51.5 million) mainly due to:

- (i) lower share of results of equity accounted joint ventures from joint venture, DTSB Group of RM15.3 million in current quarter (Q4 2022: RM48.2 million) due to sales volume decrease, lower fair value gain on biological asset recognised in the current quarter coupled with deferred tax asset recognised arising from tax incentives in previous quarter; and
- (ii) a write back on remeasurement of contingent receivable of RM8.8 million was recognised in previous quarter.

15. Prospects

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

Flour and grain trading

The persisting macroeconomic and geopolitical uncertainties continue to have an impact on the commodity prices of wheat and grain despite the recent extension of the Black Sea grain initiative by a further two months. While grain markets is likely to remain volatile in the short term, the price of wheat is expected to be neutral to slightly bullish in the near future. However, the unpredictability of global weather will have an impact on the global grain production. The Company will continue to monitor the impact of commodity prices arising from the global supply and demand dynamics and adjust selling prices accordingly and to diversify the sources of wheat, corn and soyabean meal.

Poultry Industry

Likewise, the poultry industry is similarly impacted by the global macroeconomic and geopolitical uncertainties. It is further impacted by disease outbreaks and changes in weather condition which caused the disruption in the supply of parent stock and commercial day-old-chicks. Although the demand for domestic broilers is expected to remain high, the volatility of the raw material cost has made the poultry industry to be more challenging. With the expected improvement in the prospects of the domestic economy and our synergistic partnership with Tyson International Holding Company, the Company is optimistic of its outlook for 2023 and beyond.

Despite the challenges mentioned above, the Group will continue to work towards achieving satisfactory results for the year ending 2023.

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

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

17. Income Tax Expense

	3 months ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Current income tax		
- current year	1,443	8,081
- prior year	4	9
Deferred tax		
- Origination and reversal of temporary difference	1,077	(629)
- Under provision in prior year	(4)	-
	<u>2,520</u>	<u>7,461</u>

Excluding the share of profit/(loss) in equity accounted joint ventures, the Group's effective tax rate during the quarter ended 31 March 2023 is higher than the Malaysia statutory tax rate of 24% mainly due to reversal of deferred tax asset upon RCULS coupon paid, partially offset by tax incentives and lower tax rates in Vietnam.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 31 March 2023

18. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 31 March 2023 were as follows:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	101,810	113,100
Denominated in Euro (iii)	18,176	7,611
	<u>119,986</u>	<u>120,711</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	396,418	419,020
Denominated in US Dollar (i)	586,678	398,733
Denominated in Vietnamese Dong (ii)	90,254	116,447
Denominated in Euro (iii)	-	239
	<u>1,073,350</u>	<u>934,439</u>
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,160	45,160
Denominated in US Dollar (i)	2,268	5,382
	<u>47,428</u>	<u>50,542</u>
	<u>1,120,778</u>	<u>984,981</u>

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

- (i) Denominated in USD of RM588,946,000 equivalent to USD133,336,000 translated at USD/MYR rate of 4.417 (2022: RM404,115,000 equivalent to USD92,054,000 translated at USD/MYR rate of 4.39);
- (ii) Denominated in VND of RM90,254,000 equivalent to VND483,044 million translated at VND/MYR rate of 5,352 (2022: RM116,447,000 equivalent to VND629,449 million translated at VND/MYR rate of 5,405); and
- (iii) Denominated in Euro of RM18,176,000 equivalent to Euro3,694,000 translated at Euro/MYR rate of 4.9204 (2022: RM7,850,000 equivalent to Euro1,642,000 translated at Euro/MYR rate of 4.7808).

The details of the Group's debt securities as at 31 March 2023 were as follows:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
RCULS - Liability component		
Non-current	-	2,126
Current	4,568	5,026
	<u>4,568</u>	<u>7,152</u>

19. Investments in joint ventures

	<u>PT Bungasari Flour Mills Indonesia</u>		<u>DTSB Group</u>	As at 31.03.2023 RM'000
	30%	51%		
<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	(30,023)	81,914		51,891
	<u>162,842</u>	<u>545,106</u>		<u>707,948</u>
At cost	RM'000	RM'000		As at 31.12.2022 RM'000
Unquoted shares	192,865	463,192		656,057
Share of post-acquisition reserves	(29,026)	66,567		37,541
	<u>163,839</u>	<u>529,759</u>		<u>693,598</u>

20. Changes in Material Litigation

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

21. Earnings Per Share ("EPS")

(a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	10,440	20,316
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,020,506	1,019,717
Basic earnings per ordinary share (sen)	1.02	1.99

(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	
	31.03.2023	31.03.2022
	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	10,440	20,316
Interest expense on RCULS, net of tax	167	305
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,020,506	1,019,717
Dilutive potential ordinary shares		
- Assumed conversion of RCULS	218,050	219,118
- Assumed exercise of Warrants	136,678	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,375,234	1,238,835
Diluted earnings per ordinary share (sen)	0.77	1.66

22. Profit for the period

	3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	8,768	9,915
Depreciation of right-of-use assets	650	595
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	15,114	6,649
Net realised (gain)/loss on future and option contracts	(857)	254
Property, plant and equipment written off	1	1
Impairment loss of trade receivables	245	222
and after crediting:		
Interest income	4,702	5,187
Insurance recoveries	130	50
Net unrealised gain on future and option contracts	246	744
Net realised (loss)/gain on foreign exchange	(1,051)	1,315
Net unrealised gain/(loss) on foreign exchange	4,680	(1,710)
Reversal of impairment loss of trade receivables	472	729

23. Derivatives

(a) Contract and fair value of derivatives

	As at 31.03.2023		As at 31.12.2022	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	398,835	399,781	-	-
- Future and option contracts	(4,886)	(4,599)	(3,942)	(3,929)
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	502,776	492,905
- Future and option contracts	5,771	5,699	44	-

(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2022: 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:

	3 months ended Profit or loss	
	31.03.2023 RM'000	31.03.2022 RM'000
Group	19,989	13,568

(c) Liquidity risk

The contract values of the derivatives disclosed in Note 23(a) represent the contractual cash outflows of the derivatives.

(d) The significant accounting policies adopted for financial assets and financial liabilities measured at fair value through profit or loss are consistent with those of the audited financial statements for the year ended 31 December 2022.

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24. Net gains and losses arising from financial instruments

	3 months ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Net (losses)/gains on:		
Financial assets/(liabilities) at fair value through profit or loss:		
Mandatorily required by MFRS 9		
- foreign currency forward contracts	10,817	2,122
- future and option contracts	1,103	(998)
- liquid investments	41	64
Financial assets at amortised cost	4,888	5,629
Financial liabilities measured at amortised cost	(22,444)	(9,021)
	<u>(5,595)</u>	<u>(2,204)</u>

For the 3 months ended 31 March 2023, 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
18 May 2023