

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2023

	(Unaudited) As at 30.09.2023 RM '000	(Audited) As at 31.12.2022 RM '000
Assets		
Property, plant and equipment	448,467	444,476
Intangible assets	1,008	566
Investment properties	4,841	4,883
Right-of-use assets	17,150	19,028
Investments in joint ventures	19 713,042	693,598
Investment in an associate	-	1,061
Deferred tax assets	5,938	5,771
Other receivables	71,065	71,065
Total non-current assets	1,261,511	1,240,448
Trade and other receivables, including derivatives	576,202	572,297
Prepayments and other assets	5,632	7,393
Inventories	432,153	627,831
Current tax assets	3,563	5,932
Fixed deposits	324,989	157,219
Cash and cash equivalents	112,399	86,710
	1,454,938	1,457,382
Asset classified as held for sale	33,597	33,597
Total current assets	1,488,535	1,490,979
Total assets	2,750,046	2,731,427
Share capital	537,084	535,902
Reserves	778,670	749,820
RCULS - Equity	77,574	78,694
Total equity attributable to owners of the Company	1,393,328	1,364,416
Non-controlling interests	97,505	101,677
Total equity	1,490,833	1,466,093
Liabilities		
Deferred tax liabilities	11,673	10,538
RCULS - Liabilities	-	2,126
Lease liabilities	9,982	11,353
Loans and borrowings	93,419	120,711
Total non-current liabilities	115,074	144,728
RCULS - Liabilities	2,405	5,026
Lease liabilities	1,897	2,070
Trade and other payables, including derivatives	148,848	125,304
Loans and borrowings	986,718	984,981
Current tax liabilities	4,271	3,225
Total current liabilities	1,144,139	1,120,606
Total liabilities	1,259,213	1,265,334
Total equity and liabilities	2,750,046	2,731,427
Net assets per share attributable to owners of the Company (RM)	1.36	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 30 September 2023

	Note	3 months ended		Financial Period Ended	
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
		RM '000	RM '000	RM '000	RM '000
Revenue		774,907	799,453	2,354,350	2,096,006
Cost of goods sold		(709,025)	(723,262)	(2,207,552)	(1,895,300)
Gross profit		65,882	76,191	146,798	200,706
Operating expenses		(27,524)	(35,090)	(82,128)	(89,622)
Results from operating activities		38,358	41,101	64,670	111,084
Interest expense		(13,458)	(11,790)	(44,681)	(27,558)
Interest income		7,081	4,565	18,425	14,168
Net finance expenses		(6,377)	(7,225)	(26,256)	(13,390)
Share of profit of equity accounted joint ventures, net of tax		3,180	19,056	6,827	30,253
Share of (loss)/profit of equity accounted associate, net of tax		-	(4)	231	(13)
Profit before tax		35,161	52,928	45,472	127,934
Tax expense		(7,721)	(5,549)	(9,377)	(18,459)
Profit for the period		27,440	47,379	36,095	109,475
Profit attributable to:					
Owners of the Company		24,205	46,209	32,680	98,171
Non-controlling interests		3,235	1,170	3,415	11,304
Profit for the period		27,440	47,379	36,095	109,475
Basic earnings per ordinary share (sen)	21	2.37	4.53	3.20	9.63
Diluted earnings per ordinary share (sen)	21	1.98	3.75	2.43	8.04

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 30 September 2023

	3 months ended		Financial Period Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM '000	RM '000	RM '000	RM '000
Profit for the period	27,440	47,379	36,095	109,475
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(14,551)	12,257	30,105	35,047
Total comprehensive income for the period	12,889	59,636	66,200	144,522
Total comprehensive income attributable to:				
Owners of the Company	11,571	57,612	59,509	127,956
Non-controlling interests	1,318	2,024	6,691	16,566
Total comprehensive income for the period	12,889	59,636	66,200	144,522

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 30 September 2023

	←----- Attributable to Owners of the Company Non-Distributable					-----→ 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	Retained Earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total Equity 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	-	-	-	-	26,829	32,680	59,509	6,691	66,200
Conversion of RCULS	1,144	(1,120)	-	-	-	-	24	-	24
Issuance of shares pursuant to the exercise of warrants	38	-	(6)	-	-	-	32	-	32
Dividends to owners of the Company	-	-	-	-	-	(30,653)	(30,653)	-	(30,653)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(10,863)	(10,863)
Balance at 30.09.2023	537,084	77,574	17,764	93,065	(7,615)	675,456	1,393,328	97,505	1,490,833

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 30 September 2023

	9 months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	45,472	127,934
Adjustments for:		
Bad debt recovered	(23)	-
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	25,576	30,075
Depreciation of right-of-use assets	1,958	1,986
Dividend income	(3)	(4)
Gain on disposal of property, plant and equipment	(22)	-
(Gain)/Loss on lease modification	(9)	252
Interest expense	44,681	27,558
Interest income	(18,425)	(14,168)
Net impairment/(reversal on impairment) of financial assets	1,262	(1,849)
Property, plant and equipment and intangible assets written off	7	50
Share of profit of equity accounted joint ventures, net of tax	(6,827)	(30,253)
Share of (profit)/loss of equity accounted associate, net of tax	(231)	13
Net unrealised loss on foreign exchange	551	8,985
Operating profit before changes in working capital	<u>93,967</u>	<u>150,579</u>
Inventories	195,678	(303,522)
Trade and other receivables, prepayments and other financial assets	(2,996)	(87,172)
Trade and other payables and other financial liabilities	<u>34,913</u>	<u>12,639</u>
Cash generated from/(used in) operations	<u>321,562</u>	<u>(227,476)</u>
Net income tax paid	(5,048)	(19,917)
Interest received	18,425	14,168
Interest paid	<u>(43,938)</u>	<u>(26,153)</u>
Net cash generated from/(used in) operating activities	<u>291,001</u>	<u>(259,378)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(25,284)	(22,759)
Dividend income	3	4
Proceeds from disposal of property, plant and equipment	42	-
(Increase)/Decrease in fixed deposits	<u>(167,770)</u>	<u>103,834</u>
Net cash (used in)/generated from investing activities	<u>(193,009)</u>	<u>81,079</u>
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(30,653)	(35,700)
Dividends paid to non-controlling interests	(10,863)	(20,572)
Net (repayment)/proceeds from loans and borrowings	(36,762)	87,618
Payment of lease liabilities	(1,539)	(1,246)
RCULS coupon paid	(5,458)	(5,481)
Proceeds from issuance of shares pursuant to the exercise of the warrants	32	-
Net cash (used in)/generated from financing activities	<u>(85,243)</u>	<u>24,619</u>
Net decrease in Cash and Cash Equivalents	12,749	(153,680)
Effect of exchange rate fluctuations on cash held	12,940	28,350
Cash and Cash Equivalents at Beginning of Year	86,710	214,077
Cash and Cash Equivalents at End of Financial Period	<u>112,399</u>	<u>88,747</u>

Cash and Cash Equivalents

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

	9 months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Deposits placed with licensed banks	59,811	36,330
Cash and bank balances	52,588	33,999
Liquid investments	-	18,418
	<u>112,399</u>	<u>88,747</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 quarter ended 31 March 2023, 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.

In the quarter ended 30 June 2023, 231,800 new ordinary shares were issued and allotted arising from the conversion of RM115,900 nominal value of RCULS at the conversion price of RM0.50 each.

In the current quarter, 1,294,690 new ordinary shares were issued and allotted arising from the conversion of RM647,345 nominal value of RCULS at the conversion price of RM0.50 each.

As at 30 September 2023, the outstanding nominal value of RCULS is RM108,261,859.

Warrants

In the quarter ended 31 March 2023, 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.

In the quarter ended 30 June 2023, there were 37,487 Warrants exercised which resulted in 37,487 new ordinary shares at the issue price of RM0.68 each being issued and thereafter listed on the Main Market of Bursa Securities.

In the current quarter, there were no Warrants exercised.

As at 30 September 2023, the total number of Warrants which remained unexercised was 136,640,910.

Accordingly, the issued and paid-up share capital of the Company increased to RM537,083,858 comprising 1,022,545,122 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 30 September 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 interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2023, amounting to RM15,338,000 was paid on 29 September 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

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 submit written representations and make an oral representation before MyCC. However, in the event of any findings to the 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 and made our oral representation on 29 and 31 May 2023.

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 30.09.2023 RM'000	As at 31.12.2022 RM'000
Property, plant and equipment		
Contracted but not provided for	17,858	22,419
Share of commitment of joint ventures		
- Contracted but not provided for	8,133	24,467
- Approved but not contracted for	44,374	-
	<u>52,507</u>	<u>24,467</u>

11. Changes in Composition of the Group

There were no changes to the corporate structure of the Group for the financial period ended 30 September 2023.

12. Segmental Information

Results for 9 months ended 30 September 2023

	Flour and grain trading RM'000	Poultry Integration (DTSB Group) RM'000	Others RM'000	Total RM'000
Total segment revenue	2,311,836	-	63,205	2,375,041
Eliminations - inter-segment	(20,691)	-	-	(20,691)
Revenue	2,291,145	-	63,205	2,354,350
Results from operating activities	62,603	-	2,067	64,670
Interest expense				(44,681)
Interest income				18,425
Share of (loss)/profit of equity accounted joint ventures, net of tax	(21,286)	28,113	-	6,827
Share of profit of equity accounted associate, net of tax				231
Profit before tax				45,472
Segments assets	1,924,446	-	112,558	2,037,004
Investments in joint ventures	155,170	557,872	-	713,042
Investment in an associate	-	-	-	-
Total segment assets	2,079,616	557,872	112,558	2,750,046

Results for 9 months ended 30 September 2023

	PT Bungasari Flour Mills Indonesia RM'000	Poultry Integration (DTSB Group) RM'000
Revenue	1,563,027	870,114
(Loss)/Profit before tax	(72,993)	55,233
Tax credit/(expenses)	2,040	(109)
(Loss)/Profit after tax	(70,953)	55,124
Share of (loss)/profit of equity accounted joint ventures	(21,286)	28,113
Segment assets	1,515,087	1,369,388

12. Segmental Information

Results for 9 months ended 30 September 2022

	Flour and grain trading RM'000	Poultry Integration (DTSB Group) RM'000	Others RM'000	Total RM'000
Total segment revenue	2,062,237	-	52,757	2,114,994
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 venture, 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
Investment in a joint venture	185,310	481,521	-	666,831
Investment in an associate	-	-	1,092	1,092
Total segment assets	2,364,233	481,521	109,629	2,955,383

Results for 9 months ended 30 September 2022

	PT Bungasari Flour Mills Indonesia RM'000	Poultry Integration (DTSB Group) RM'000
Revenue	1,280,352	806,871
Profit before tax	8,339	53,598
Tax (expense)/credit	(3,475)	2,861
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

13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes	9 months ended		Changes
	30.09.2023	30.09.2022		30.09.2023	30.09.2022	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	774,907	799,453	(3.1%)	2,354,350	2,096,006	12.3%
Results from operating activities	38,358	41,101	(6.7%)	64,670	111,084	(41.8%)
Profit before tax	35,161	52,928	(33.6%)	45,472	127,934	(64.5%)
Profit after tax	27,440	47,379	(42.1%)	36,095	109,475	(67.0%)
Profit attributable to owners of the Company	24,205	46,209	(47.6%)	32,680	98,171	(66.7%)

Review of Quarter-on-Quarter results

For the quarter ended 30 September 2023 ("Q3 2023"), the Group recorded revenue of RM774.9 million, a marginal decrease of 3.1% compared to RM799.5 million recorded in the preceding year corresponding quarter ended 30 September 2022 ("Q3 2022"). This was mainly attributed to lower sales recorded in the flour and grain trading segment.

In Q3 2023, the Group's operating profit was RM38.4 million as compared to RM41.1 million in Q3 2022, primarily due to lower profits from flour and grain trading segment. The Group's share of profit in equity accounted joint ventures in Q3 2023 amount to RM3.2 million as compared to RM19.1 million in Q3 2022. Overall, the Group recorded a profit before tax ("PBT") of RM35.2 million as compared to RM52.9 million in Q3 2022. The main factors were as follows:-

- The flour and grain trading generated an operating profit of RM37.0 million in Q3 2023 as compared to RM40.5 million in Q3 2022. Flour and grain trading operating profit declined by 8.6% in Q3 2023, mainly attributed to lower contribution margin from lower selling price coupled with the weakening of MYR and VND in foreign exchange translation which were partially set off by increase in sales volume;
- The Group's share of loss of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM4.0 million in Q3 2023 as compared to RM0.2 million Q3 2022. This is largely attributable to lower contribution margin from lower selling price and higher unrealised foreign currency losses arising from a weakening of IDR;
- In Q3 2023, the Group's share of profit of equity accounted joint venture, Dindings Tyson Sdn Bhd ("DTSB") amounted to RM7.2 million, a decrease of RM12.0 million as compared to RM19.2 million in Q3 2022 due to lower sales volume and contribution margin from lower selling price, lower subsidy income and higher fair value loss on biological assets; and
- The net interest expenses decreased to RM6.4 million in Q3 2023 as compared to RM7.2 million in Q3 2022 mainly due to higher interest income from higher fixed deposits placement.

The Others segment includes the results from aqua feedmilling business. The operating profit from this segment improved to RM1.3 million in Q3 2023 as compared RM0.6 million in same quarter last year. This is largely driven by increased contribution margin from lower input costs, partially set off with higher interest expenses from increase in interest rate.

Review of Year-on-Year results

In the 9 months ended 30 September 2023, revenue increased by 12.3% to RM2.4 billion as compared to RM2.1 billion posted in the previous year corresponding period, attributable mainly to higher sales in the flour and grain trading business.

For the period ended 30 September 2023, the Group recorded an operating profit of RM64.7 million as compared to RM111.1 million in the preceding year. The Group's share of profit in equity accounted joint ventures amounted to RM6.8 million in the financial period ended 30 September 2023 as compared to RM30.3 million a year ago. Overall, the Group recorded a lower PBT of RM45.5 million as compared to RM127.9 million in previous year corresponding period. This was attributable to:-

- The flour and grain trading generated an operating profit of RM62.6 million as compared to an operating profit of RM114.0 million in the previous year corresponding period. The lower operating profit is mainly due to lower contribution margin from higher input costs mainly driven by higher raw material price and the weakening of RM and VND against USD which was partially set off by higher sales volume, selling prices and lower realised and unrealised losses on commodity and derivatives.
- During the financial period ended 30 September 2023, a net interest expense of RM26.3 million was incurred, as compared to RM13.4 million in the preceding year. The increase in interest expenses was mainly due to higher interest rate with higher borrowings attributed to the escalating commodity prices, partially offset by higher interest income; and
- The Group's share of profit of equity accounted joint venture was amounted to RM6.8 million in the 9 months ended 30 September 2023 as compared to RM30.3 million a year ago. Details as below:

	30.09.2023	30.09.2022
	RM'000	RM'000
PT Bungasari Flour Mills Indonesia	(21,286)	1,459
DTSB group	28,113	28,794
	<u>6,827</u>	<u>30,253</u>

In the 9 months ended 30 September 2023, the Group's share of loss on PT Bungasari Flour Mills Indonesia was RM21.3 million as compared to a share of profit of RM1.5 million a year ago. The performance was adversely impacted by lower contribution margin from weakening of selling price and higher wheat milling cost, partially offset with higher deferred tax asset recognised arising from operating loss.

The Group's share of profit on DTSB Group was RM28.1 million for the financial period ended 30 September 2023 as compared to RM28.8 million in the previous year corresponding period. The marginal decrease was contributed mainly by lower subsidy income from the Malaysian Government and deferred tax asset recognition, offset with higher sales volume and lower fair value loss on biological assets recognised in 9M FY2023.

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

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

	Current Quarter 30.09.2023 RM'000	Immediate Preceding Quarter 30.06.2023 RM'000	Changes %
Revenue	774,907	752,749	2.9%
Results from operating activities	38,358	7,264	428.1%
Profit/(Loss) before tax	35,161	(5,105)	788.8%
Profit/(Loss) after tax	27,440	(4,241)	747.0%
Profit/(Loss) attributable to owners of the Company	24,205	(1,965)	1331.8%

Operating profit significantly improved to RM38.4 million in Q3 2023 (Q2 2023: RM7.3 million) primarily attributable to higher contribution margin arising from flour and grain segment and the aqua feed milling business with higher sales volume, partially offset with lower selling price.

The Group's share of loss of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM4.0 million in Q3 2023 as compared to RM8.8 million Q2 2023. This is largely attributable to higher contribution margin from higher sales volume, coupled with lower realised & unrealised forex loss in current quarter.

In Q3 2023, the Group's share of profit of equity accounted joint venture, Dindings Tyson Sdn Bhd ("DTSB") increased to RM7.2 million (Q2 2023: RM5.6 million) mainly due to higher sales volume with lower input costs, higher subsidy income, coupled with lower fair value loss on biological assets recognised in current quarter.

As a result, the Group reported a PBT of RM35.2 million in Q3 2023, compared to the loss before tax ("LBT") of RM5.1 million reported in Q2 2023.

15. Prospects

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

Flour and grain trading

The commodity prices of wheat and grain continue to be impacted by the persisting macroeconomic uncertainties and evolving geopolitical tensions. On the other hand, the unpredictable weather conditions across the wheat planting regions such as heat wave with dry conditions are likely to affect the global wheat supply. 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 soybean meal.

Poultry Industry

Internationally, the poultry industry is adversely impacted by HPAI outbreaks resulting in disruptions in the global supply of Grandparent ("GP") day-old-chicks ("DOCs"), Parent Stock ("PS") DOCs and Commercial DOCs. The prevailing disease outbreaks in Malaysia has disrupted the supply of PS and Commercial DOCs. However, the recent uplifting of chicken subsidy and ceiling price by government is a positive development for chicken producers. With the expected recovery in the demand and our synergistic partnership with Tyson International Holding Company, the Company is optimistic of its outlook for 2023 and beyond.

The changing geopolitical scene is a dynamic phenomenon that presents both opportunities and challenges for nations around the world. Despite the challenges mentioned above, the Group expects to be profitable 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		9 months ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Current income tax				
- current year	6,546	8,293	7,622	21,527
- prior year	790	(1,237)	794	(1,228)
Deferred tax				
- Origination and reversal of temporary difference	385	(1,507)	965	(1,840)
- Over provision in prior year	-	-	(4)	-
	<u>7,721</u>	<u>5,549</u>	<u>9,377</u>	<u>18,459</u>

Excluding the share of profit in equity accounted joint ventures, the Group's effective tax rate for the current quarter and for the financial period were closely in line with the Malaysia statutory tax rate of 24%.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 September 2023

18. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 September 2023 were as follows:

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	79,230	113,100
Denominated in Euro (iii)	14,189	7,611
	<u>93,419</u>	<u>120,711</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	456,413	419,020
Denominated in US Dollar (i)	281,982	398,733
Denominated in Vietnamese Dong (ii)	196,967	116,447
Denominated in Euro (iii)	-	239
	<u>935,362</u>	<u>934,439</u>
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,160	45,160
Denominated in US Dollar (i)	-	5,382
Denominated in Euro (iii)	6,196	-
	<u>51,356</u>	<u>50,542</u>
	<u>986,718</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 RM281,982,000 equivalent to USD60,099,000 translated at USD/MYR rate of 4.6920 (2022: RM404,115,000 equivalent to USD92,054,000 translated at USD/MYR rate of 4.3900);
- (ii) Denominated in VND of RM196,967,000 equivalent to VND1,027 billion translated at VND/MYR rate of 5,214 (2022: RM116,447,000 equivalent to VND629,449 million translated at VND/MYR rate of 5,405); and
- (iii) Denominated in Euro of RM20,385,000 equivalent to Euro4,015,000 translated at Euro/MYR rate of 5.0772 (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 30 September 2023 were as follows:

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
RCULS - Liability component		
Non-current	-	2,126
Current	2,405	5,026
	<u>2,405</u>	<u>7,152</u>

19. Investments in joint ventures

	<u>PT Bungasari Flour Mills Indonesia</u> 30%	<u>DTSB Group</u> 51%	As at 30.09.2023 RM'000
Percentage of ownership interest			
At cost	RM'000	RM'000	RM'000
Unquoted shares	192,865	463,192	656,057
Share of post-acquisition reserves	(37,695)	94,680	56,985
	<u>155,170</u>	<u>557,872</u>	<u>713,042</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		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	24,205	46,209	32,680	98,171
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,021,872	1,019,952	1,021,196	1,019,856
Basic earnings per ordinary share (sen)	2.37	4.53	3.20	9.63

(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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	24,205	46,209	32,680	98,171
Interest expense on RCULS, net of tax	301	305	743	1,406
	24,506	46,514	33,423	99,577
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,021,872	1,019,952	1,021,196	1,019,856
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	216,524	218,932	216,524	218,932
- Assumed exercise of Warrants	-	-	136,641	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,238,396	1,238,884	1,374,361	1,238,789
Diluted earnings per ordinary share (sen)	1.98	3.75	2.43	8.04

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 September 2023

22. Profit for the period

	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	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	8,561	9,786	25,576	30,075
Depreciation of right-of-use assets	654	666	1,958	1,986
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	13,458	11,790	44,681	27,558
Net realised loss/(gain) on future and option contracts	6,672	(3,430)	4,625	(1,665)
Net unrealised loss on foreign exchange	2,972	1,074	551	8,985
Property, plant and equipment written off	3	8	7	50
Impairment loss of trade receivables	857	321	2,193	628
Impairment loss of amount due from associate	-	-	197	-
and after crediting:				
Interest income	7,081	4,565	18,425	14,168
- deposits placed with licensed banks	7,010	4,507	18,425	13,746
- debtors	71	58	-	422
Insurance recoveries	355	67	924	237
Net unrealised gain/(loss) on future and option contracts	3,764	(8,822)	(1,967)	(5,948)
Net realised gain/(loss) on foreign exchange	1,682	(7,683)	4,403	(7,380)
Bad debt recovered	23	-	23	-
Gain on disposal of property, plant and equipment	21	-	22	-
Reversal of impairment loss of trade receivables	482	494	1,128	2,478

23. Derivatives

(a) Contract and fair value of derivatives

	As at 30.09.2023		As at 31.12.2022	
	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	125,526	126,775	-	-
- Future and option contracts	(99)	-	(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	22,117	20,020	44	-

(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2022: 5 percent) strengthening/(weakening) of RM against USD and Euro 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	
	Profit or loss	Profit or loss
	30.09.2023	30.09.2022
	RM'000	RM'000
Group	6,339	22,003

(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.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 September 2023

24. Net gains and losses arising from financial instruments

	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Net losses on:				
Financial assets/(liabilities) at fair value through profit or loss:				
Mandatorily required by MFRS 9				
- foreign currency forward contracts	(7,464)	6,780	11,120	13,007
- future and option contracts	(2,908)	(5,391)	(6,592)	(4,283)
- liquid investments	-	28	59	178
Financial assets at amortised cost	6,706	6,860	17,104	16,313
Financial liabilities measured at amortised cost	(6,736)	(27,468)	(51,583)	(56,784)
	<u>(10,402)</u>	<u>(19,191)</u>	<u>(29,892)</u>	<u>(31,569)</u>

For the 9 months ended 30 September 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 unrealised gain on foreign currency forward contracts.

Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

By Order of the Board

MAH WAI MUN
Secretary
MAICSA 7009729
SSM Practising Certificate No. 202008000785

Kuala Lumpur
22 November 2023