

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2020

	(Unaudited) As at 31.12.2020 RM '000	(Audited) As at 31.12.2019 RM '000
Assets		
Property, plant and equipment	1,090,278	1,090,312
Intangible assets	3,656	1,733
Investment properties	4,997	5,053
Right-of-use assets	30,420	31,087
Investment in a joint venture	164,738	130,912
Investment in an associate	1,050	1,074
Deferred tax assets	18,471	9,751
Total non-current assets	1,313,610	1,269,922
Trade and other receivables, including derivatives	380,323	394,112
Prepayments and other assets	4,467	4,964
Inventories	428,194	510,219
Biological assets	48,586	56,860
Current tax assets	2,195	481
Cash and cash equivalents	404,627	330,753
	1,268,392	1,297,389
Asset classified as held for sale	-	14,821
Total current assets	1,268,392	1,312,210
Total assets	2,582,002	2,582,132
Share capital	530,665	527,571
Reserves	457,715	481,279
RCULS - Equity component	82,479	85,462
Total equity attributable to owners of the Company	1,070,859	1,094,312
Non-controlling interests	94,048	86,686
Total equity	1,164,907	1,180,998
Liabilities		
Deferred tax liabilities	3,335	2,644
RCULS - Liability component	14,234	18,500
Lease liabilities	3,532	3,377
Loans and borrowings	227,428	223,058
Total non-current liabilities	248,529	247,579
RCULS - Liability component	5,087	5,495
Lease liabilities	2,063	1,886
Trade and other payables, including derivatives	220,335	191,303
Loans and borrowings	932,148	947,628
Current tax liabilities	8,933	7,243
Total current liabilities	1,168,566	1,153,555
Total liabilities	1,417,095	1,401,134
Total equity and liabilities	2,582,002	2,582,132
Net assets per share attributable to owners of the Company (RM)	1.06	1.09

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2020

	Note	3 months ended		Financial Year Ended	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
		RM '000	RM '000	RM '000	RM '000
Revenue		712,014	719,667	2,680,670	2,681,563
Cost of goods sold		(640,127)	(642,901)	(2,457,034)	(2,421,298)
Gross profit		71,887	76,766	223,636	260,265
Operating expenses		(49,152)	(56,373)	(170,571)	(177,678)
Results from operating activities		22,735	20,393	53,065	82,587
Interest expense		(7,339)	(6,851)	(37,293)	(29,684)
Interest income		4,577	3,707	20,022	11,304
Net finance expenses		(2,762)	(3,144)	(17,271)	(18,380)
Share of profit of equity accounted joint venture, net of tax		5,709	2,412	967	14,121
Share of loss of equity accounted associate, net of tax		(3)	(59)	(16)	(33)
Profit before tax		25,679	19,602	36,745	78,295
Tax expense	17	(4,744)	(9,159)	(16,161)	(17,693)
Profit for the period		20,935	10,443	20,584	60,602
Profit attributable to:					
Owners of the Company		17,272	3,260	5,413	43,251
Non-controlling interests		3,663	7,183	15,171	17,351
Profit for the period		20,935	10,443	20,584	60,602
Basic earnings per ordinary share (sen)	21	1.71	0.32	0.54	4.51
Diluted earnings per ordinary share (sen)	21	1.42	0.26	0.54	3.35

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	3 months ended		Financial Period Ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM '000	RM '000	RM '000	RM '000
Profit for the period	20,935	10,443	20,584	60,602
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(6,993)	(7,005)	(12,013)	(1,095)
Total comprehensive income for the period	13,942	3,438	8,571	59,507
Total comprehensive (expense)/income attributable to:				
Owners of the Company	12,339	(2,420)	(5,431)	42,728
Minority interests	1,603	5,858	14,002	16,779
Total comprehensive income for the period	13,942	3,438	8,571	59,507

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Attributable to Owners of the Company					Retained Earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total Equity RM '000
	Share Capital RM '000	Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Equity component RM '000	Warrant reserve RM '000	Other capital reserve RM '000	Translation reserve RM '000				
Balance at 1.1.2019	377,501	-	-	40,883	(42,223)	443,789	819,950	74,223	894,173
Total comprehensive income for the year	-	-	-	-	(523)	43,251	42,728	16,779	59,507
Rights shares issued	110,057	-	-	-	-	-	110,057	-	110,057
Issuance of RCULS	-	137,704	-	-	-	-	137,704	-	137,704
Shares and RCULS issuance expenses	(896)	(1,345)	-	-	-	-	(2,241)	-	(2,241)
Issuance of warrants	(7,154)	(10,730)	17,884	-	-	-	-	-	-
Conversion of RCULS	48,062	(40,167)	-	-	-	-	7,895	-	7,895
Issuance of shares pursuant to the exercise of warrants	1	-	-	-	-	-	1	-	1
Dividends to owners of the Company	-	-	-	-	-	(21,782)	(21,782)	-	(21,782)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(4,316)	(4,316)
Balance at 31.12.2019	527,571	85,462	17,884	40,883	(42,746)	465,258	1,094,312	86,686	1,180,998
Balance at 1.1.2020	527,571	85,462	17,884	40,883	(42,746)	465,258	1,094,312	86,686	1,180,998
Total comprehensive (expense)/ income for the year	-	-	-	-	(10,844)	5,413	(5,431)	14,002	8,571
Conversion of RCULS	3,094	(2,983)	-	-	-	-	111	-	111
Dividends to owners of the Company	-	-	-	-	-	(18,133)	(18,133)	-	(18,133)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(6,640)	(6,640)
Balance at 31.12.2020	530,665	82,479	17,884	40,883	(53,590)	452,538	1,070,859	94,048	1,164,907

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2020

	12 months ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	36,745	78,295
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	68,466	65,571
Depreciation of right-of-use assets	3,294	3,448
Dividend income	(6)	(5)
Gain on disposal of property, plant and equipment	(9,116)	(258)
Gain on lease modification	(8)	-
Interest expense	37,183	29,684
Interest income	(20,022)	(11,304)
Property, plant and equipment and intangible assets written off	724	156
Share of profit of equity accounted joint venture, net of tax	(967)	(14,121)
Share of loss of equity accounted associate, net of tax	16	33
Net unrealised gain on foreign exchange	(2)	(1,639)
Operating profit before changes in working capital	<u>116,307</u>	149,860
Inventories	79,708	(43,689)
Biological assets	8,274	(1,954)
Trade and other receivables, prepayments and other financial assets	12,565	18,680
Trade and other payables and other financial liabilities	<u>28,306</u>	48,229
Cash generated from operations	<u>245,160</u>	171,126
Net income tax paid	(23,845)	(14,754)
Interest received	20,022	11,304
Interest paid	<u>(35,908)</u>	(28,375)
Net cash generated from operating activities	<u>205,429</u>	139,301
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(73,676)	(213,312)
Dividend income	6	5
Increase in investment in a joint venture	(38,778)	(53,797)
Proceeds from disposal of property, plant and equipment	<u>23,845</u>	304
Net cash used in investing activities	<u>(88,603)</u>	(266,800)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(18,133)	(21,782)
Dividends paid to non-controlling interests	(6,640)	(4,316)
Net proceeds from/(repayment of) loans and borrowings	(4,600)	49,634
Payment of lease liabilities	(2,243)	(2,242)
Proceeds from issuance of shares pursuant to the Rights Issue of Shares	-	110,057
Proceeds from issuance of Redeemable Convertible Unsecured Loan Stocks ("RCULS")	-	165,085
Shares and RCULS issuance expenses	-	(2,241)
RCULS coupon paid	(5,803)	(2,953)
Proceeds from issuance of shares pursuant to the exercise of the warrants	-	1
Net cash (used in)/from financing activities	<u>(37,419)</u>	291,243
Net increase in Cash and Cash Equivalents	<u>79,407</u>	163,744
Effect of exchange rate fluctuations on cash held	(5,533)	(1,823)
Cash and Cash Equivalents at Beginning of Year	<u>330,753</u>	168,832
Cash and Cash Equivalents at End of Financial Period	<u>404,627</u>	<u>330,753</u>

Cash and Cash Equivalents

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

	12 months ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
Deposits placed with licensed banks	344,207	268,350
Cash and bank balances	38,013	43,572
Liquid investments	22,407	18,831
	<u>404,627</u>	<u>330,753</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Year Ended 31 December 2020

1. Basis of preparation

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2019 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2019, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2020 which are applicable to the Group. The adoption of these standards, amendments and IC interpretation have no material impact on this Condensed Report.

3. Seasonal or Cyclical Factors

There were no material changes brought about by seasonal or cyclical factors that affect the performance of the Group for the financial year 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 year-to-date.

5. Changes in Estimates

There were no changes in estimates that have had any material effect on the financial year-to-date results, except for the following:

During the financial year under review, the Group reviewed the estimated useful life of the plant and machinery and had extended the estimated useful life of certain plant and machinery with effect from 1 January 2020. The revisions were accounted for prospectively as changes in accounting estimates and as a result, the depreciation charges of the Group (inclusive of newly acquired plant & machinery) for the 12 months ended 31 December 2020 have decreased by approximately RM13.0 million, within which the impact from the previous quarters ended 31 March 2020 (Q1 2020), 30 June 2020 (Q2 2020) and 30 September 2020 (Q3 2020) totalled RM9.7 million.

The annual depreciation rates for plant and machinery were changed from 10% and 25% to a range from 5% - 25% with effect from 1 January 2020.

6. Debt and Equity Securities

Redeemable Convertible Unsecured Loan Stocks ("RCULS")

In the quarter ended 31 March 2020, 3,296,700 new ordinary shares were issued and allotted arising from the conversion of RM1,648,350 nominal value of RCULS at the conversion price of RM0.50 each.

In the quarter ended 30 June 2020, 520,000 new ordinary shares were issued and allotted arising from the conversion of RM260,000 nominal value of RCULS at the conversion price of RM0.50 each.

In the quarter ended 30 Sept 2020, 1,077,200 new ordinary shares were issued and allotted arising from the conversion of RM538,600 nominal value of RCULS at the conversion price of RM0.50 each.

In the current quarter, 1,293,200 new ordinary shares were issued and allotted arising from the conversion of RM646,600 nominal value of RCULS at the conversion price of RM0.50 each. The conversion price is satisfied by surrendering the equivalent nominal value of RCULS for cancellation.

As at 31 December 2020, the outstanding nominal value of RCULS is RM113,929,181.

Warrants

In the current year ended 31 December 2020, there were no Warrants exercised.

As at 31 December 2020, the total number of Warrants which remained unexercised was 137,569,367.

Accordingly, the issued and paid-up share capital of the Company increased to RM530,664,486 comprising 1,010,282,021 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 year ending 31 December 2020.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Year Ended 31 December 2020

7. Dividend

The second interim dividend of 1.8 sen per ordinary share in respect of the financial year ended 31 December 2019, amounting to RM18,133,000 was paid on 27 March 2020.

The Board has declared an interim single tier dividend of 1.0 sen per ordinary share for the current financial year ended 31 December 2020. The dividend will be paid on 26 March 2021 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 March 2021.

8. Events After the Reporting Period

There were no material events subsequent to the end of the financial period that would affect the financial results for the current financial period under review.

9. Contingent Liabilities or Assets

The Company has provided proportionate corporate guarantees of up to USD18.6 million for financing facilities granted by financial institutions to the joint venture company, PT Bungasari Flour Mills Indonesia. As at 31 December 2020, the outstanding loans proportionately amounted to USD9.2 million.

In 2017, the Indonesian tax authority having performed tax audit in relation to its value-added tax ("VAT") has issued a notification letter imposing a total sum of RM17.1 million (additional tax assessment of RM8.55 million and penalty of RM8.55 million) on PT Bungasari on the basis of overclaimed VAT for the year 2015. In 2018, the Indonesian tax authority has issued another notification letter imposing a total sum of RM16.8 million (additional tax assessment of RM8.4 million and penalty of RM8.4 million) on PT Bungasari on the basis of overclaimed VAT for the year 2016. In 2019, the Indonesian tax authority has issued another notification letter imposing a total sum of RM20.3 million (additional tax assessment of RM10.6 million and penalty of RM9.7 million) on PT Bungasari on the basis of overclaimed VAT for the year 2017.

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

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 cases were officially closed and the sum of RM8.7 million paid for the year 2015 was refunded to PT Bungasari in February 2021.

The court proceedings for the assessment of overclaimed VAT for the year 2017 is ongoing. The Group's 30% share of the potential liabilities is RM6.1 million for the year 2017. PT Bungasari has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. On that basis, the Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities up to the reporting date. The sum of RM0.9 million paid was in accordance to PT Bungasari's VAT calculation basis.

10. Capital Commitments

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Property, plant and equipment		
Contracted but not provided for	<u>24,948</u>	<u>133,782</u>

11. Changes in Composition of the Group

In March 2020, the Company increased its investment in the joint venture company, PT Bungasari by subscribing for an additional 5,713 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on a proportionate shareholding for a cash consideration of approximately RM23,355,000 (equivalent to USD5,713,200). The remaining advances amounting to RM71,000 (equivalent to USD16,800) made in 2019 was converted into equity. Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

In June 2020, the Company further increased its investment in PT Bungasari by subscribing for an additional 3,570 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on a proportionate shareholding for a cash consideration of approximately RM15,352,000 (equivalent to USD3,570,000). Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Year Ended 31 December 2020

12. Segmental Information

Results for 12 months ended 31 December 2020

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	2,079,755	716,709	-	2,796,464
Eliminations - inter-segment	(52,366)	(63,428)	-	(115,794)
Revenue from external customers	2,027,389	653,281	-	2,680,670
Results from operating activities	123,172	(69,999)	(108)	53,065
Interest expense				(37,293)
Interest income				20,022
Share of profit of equity accounted joint venture, net of tax				967
Share of loss of equity accounted associate, net of tax				(16)
Profit before tax				36,745
Segments assets	1,365,680	1,050,021	513	2,416,214
Investment in a joint venture	164,738	-	-	164,738
Investment in an associate	-	-	1,050	1,050
Total segment assets	1,530,418	1,050,021	1,563	2,582,002

Results for 12 months ended 31 December 2019

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	2,019,787	738,612	-	2,758,399
Eliminations - inter-segment	(39,740)	(37,096)	-	(76,836)
Revenue from external customers	1,980,047	701,516	-	2,681,563
Results from operating activities	114,687	(31,942)	(158)	82,587
Interest expense				(29,684)
Interest income				11,304
Share of profit of equity accounted joint venture, net of tax				14,121
Share of loss of equity accounted associate, net of tax				(33)
Profit before tax				78,295
Segments assets	1,398,120	1,051,482	544	2,450,146
Investment in a joint venture	130,912	-	-	130,912
Investment in an associate	-	-	1,074	1,074
Total segment assets	1,529,032	1,051,482	1,618	2,582,132

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Year Ended 31 December 2020

13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes %	Financial Period Ended		Changes %
	31.12.2020 RM'000	31.12.2019 RM'000		31.12.2020 RM'000	31.12.2019 RM'000	
Revenue	712,014	719,667	(1.1%)	2,680,670	2,681,563	(0.0%)
Results from operating activities	22,735	20,393	11.5%	53,065	82,587	(35.7%)
Profit before tax	25,679	19,602	31.0%	36,745	78,295	(53.1%)
Profit after tax	20,935	10,443	100.5%	20,584	60,602	(66.0%)
Profit attributable to owners of the Company	17,272	3,260	429.9%	5,413	43,251	(87.5%)

For the quarter ended 31 December 2020 (Q4 2020), the Group recorded a revenue of RM712.0 million, a decrease of 1.1% from RM719.7 million registered in the same quarter ended 31 December 2019 (Q4 2019). This was attributed to lower sales recorded in the flour and grains trading segment by 1.2% as well as lower sales recorded in the poultry integration segment by 0.8%.

The Group recorded a marginally higher operating profit of RM22.7 million in Q4 2020 as compared to an operating profit of RM20.4 million in Q4 2019. Flour and grains trading segment recorded a lower operating profit of RM37.9 million amidst the lower sales in Q4 2020 as compared to an operating profit of RM45.1 million in Q4 2019. On the contrary, poultry integration segment's operating loss narrowed to RM15.1 million in Q4 2020 from the operating loss of RM24.7 million in the same quarter last year. The Group's share of profit in equity accounted joint venture in Q4 2020 amounted to RM5.7 million as opposed to a share of profit of RM2.4 million in Q4 2019. Consequently, the Group recorded a higher profit before tax (PBT) of RM25.7 million in Q4 2020 as compared to a PBT of RM19.6 million in Q4 2019. The main factors were as follows:-

- (i) Flour and grains trading segment's operating profit was 16.1% lower than that of Q4 2019, primarily due to the higher raw material costs resulting in lower margin in the grains trading business amidst the lower demand for grains. Nonetheless, this was partially offset by better margin for flour as demand for flour remained strong in Q4 2020.
- (ii) Poultry integration segment recorded an operating loss of RM15.1 million in Q4 2020 as compared to an operating loss of RM24.7 million in Q4 2019, attributable to key factors below:-
 - a) In Q4 2020, live birds prices improved as compared to that of Q4 2019, which led to higher margin in Q4 2020; and
 - b) Due to the high number of COVID-19 cases, the Conditional Movement Control Order (CMCO) was imposed on certain states in Malaysia starting 14 October 2020. Whilst certain food service channel showed signs of slow-down, there was improved demand from other business segments such as the retail channel. Higher sales volume was recorded in Q4 2020, on the back of an expanded production capacity in line with the commercial operation of the new primary poultry processing plant since the quarter ended 31 March 2020 (Q1 2020). However, margins were lower in Q4 2020 as the average selling prices of poultry processed products remained dampened due to competitive pressure coupled with higher depreciation cost in Q4 2020 due to the new plant which had not achieved economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
 - c) Furthermore, the fair value loss on biological assets in Q4 2020 was lower, amounting to RM4.7 million as compared to a fair value loss of RM8.3 million in Q4 2019.
- (iii) Higher interest expenses were recorded in the poultry integration segment in Q4 2020 as compared to that of Q4 2019 as the new primary poultry processing plant was completed and became operational since Q1 2020.
- (iv) In Q4 2020, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM5.7 million as compared to a share of profit of RM2.4 million in Q4 2019. The higher share of profit was mainly attributable to higher foreign exchange gain as IDR strengthened against the USD in Q4 2020 whilst demand for flour remained strong during the quarter.

13. Performance Review (continued)

Revenue decreased marginally to RM2,680.7 million for the financial year ended 31 December 2020 as compared to RM2,681.6 million posted in the preceding year. Sales in the flour and grains trading segment rose by 2.4% but was offset by a decline in the poultry integration segment's sales by 6.9%.

The Group recorded an operating profit of RM53.1 million in the financial year ended 31 December 2020 as compared to an operating profit of RM82.6 million in the preceding year. Flour and grains trading segment's operating profit surged to RM123.2 million in the financial year ended 31 December 2020 on the back of higher sales as compared to an operating profit of RM114.7 million in the preceding year. However, this profit was negated by operating loss incurred in the poultry integration segment amounting to RM70.0 million in the financial year ended 31 December 2020 as compared to an operating loss of RM31.9 million in the preceding year. Consequently, the Group recorded a lower profit before tax (PBT) of RM36.7 million in 2020 as compared to a PBT of RM78.3 million in 2019. This was attributable to:-

- (i) Flour and grains trading segment's operating profit was 7.4% higher than that of the preceding year, primarily due to a net gain on disposal of land amounting to RM8.5 million in 2020 and favourable margin arising from higher sales volume of flour in the financial year ended 31 December 2020. However, these were partially offset by lower margin in the grains trading business due to higher grains cost, coupled with lower net realised and unrealised gain on futures and options in the financial year ended 31 December 2020 amounting to RM3.1 million as compared to a gain of RM9.6 million in the preceding year; and
- (ii) Poultry integration segment recorded an operating loss of RM70.0 million in the financial year ended 31 December 2020 as compared to an operating loss of RM31.9 million in the preceding year, attributable to key factors below:-
 - a) The poultry processed product category recorded higher sales volume in the financial year ended 31 December 2020 with the expanded production capacity in the new primary poultry processing plant since Q1 2020. However, margins were lower in the financial year ended 31 December 2020 as the average selling prices of poultry processed products remained dampened due to competitive pressure coupled with higher depreciation cost in 2020 due to the new plant which had not achieved economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
 - b) In the financial year ended 31 December 2020, the live birds prices improved slightly as compared to the preceding year. As the new primary processing plant came into operation, the sales volume of live birds sold externally decreased whilst more broilers were channeled to the poultry processed products segment; and
 - c) Fair value loss on biological assets in the financial year ended 31 December 2020 was higher at RM2.1 million as compared to a fair value loss of RM1.1 million in the preceding year.
- (iii) Higher interest expenses were recorded in the poultry integration segment in the financial year ended 31 December 2020 as compared to the preceding year as the new primary poultry processing plant was completed and became operational since Q1 2020; and
- (iv) In the financial year ended 31 December 2020, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM1.0 million as compared to a share of profit of RM14.1 million in the preceding year. Whilst demand for flour remained strong, the joint venture recorded lower profit in 2020 mainly due to higher depreciation and interest cost due to commencement of operations of new manufacturing facilities during the year.

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 31.12.2020 RM'000	Immediate Preceding Quarter 30.09.2020 RM'000	Changes %
Revenue	712,014	665,860	6.9%
Results from operating activities	22,735	32,295	(29.6%)
Profit before tax	25,679	22,685	13.2%
Profit after tax	20,935	13,287	57.6%
Profit attributable to owners of the Company	17,272	9,408	83.6%

Revenue increased by 6.9% in Q4 2020 as compared to that of Q3 2020, attributable to higher sales recorded in the flour and grains trading segment but was partially negated by the lower sales recorded in the poultry integration segment. Flour and grains trading segment recorded a 12.7% increase in revenue in Q4 2020 primarily due to higher sales volume. The poultry integration segment recorded a 8.7% drop in revenue in Q4 2020.

Flour and grains trading segment's operating profit increased by 25.8%, from RM30.1 million in Q3 2020 to RM37.9 million in Q4 2020, mainly attributable to the favourable margin arising from lower wheat costs on the back of higher flour sales volume in Q4 2020. However, these profits were partially negated by lower margin in the grains trading business due to higher grains cost in Q4 2020.

Poultry integration segment posted an operating loss of RM15.1 million in Q4 2020 as compared to an operating profit of RM2.2 million in Q3 2020 mainly attributable to lower poultry processed products and live birds prices in Q4 2020 and downward adjustment of fair value on biological assets from a gain of RM8.0 million in Q3 2020 to a loss of RM4.7 million in Q4 2020.

Our equity accounted joint venture registered a share of profit of RM5.7 million in Q4 2020 as compared to a share of loss of RM5.7 million in Q3 2020 mainly due to foreign exchange gain as IDR strengthened against the USD in Q4 2020 whilst demand for flour remained strong during the quarter.

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15. Prospects

The Board looks forward to the positive effect of the proposed partnership with Tyson International Holding Company on the poultry integration business (see Note 18).

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		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	7,546	7,730	23,756	21,415
- prior year	(294)	70	(249)	310
Real Property Gains Tax	-	-	718	-
Deferred tax				
- Origination and reversal of temporary difference	(2,508)	1,359	(9,159)	(4,032)
- Under provision in prior year	-	-	1,095	-
	<u>4,744</u>	<u>9,159</u>	<u>16,161</u>	<u>17,693</u>

Excluding the share of profit in equity accounted joint venture, the Group's effective tax rate during the quarter ended 31 December 2020 is lower than the Malaysia statutory tax rate of 24% mainly due to utilisation of tax losses in Malaysia and tax incentives in Vietnam. The Group recognised a Real Property Gains Tax (RPGT) arising from a gain on disposal of land during the year ended 31 December 2020.

18. Status of Corporate Proposals

- (a) The following proposal was announced on 10 February 2021:

On 10 February 2021, the Company entered into a conditional share purchase agreement with Tyson International Holding Company ("Tyson") for the proposed disposal of 49% equity interest in Dindings Supreme Sdn Bhd ("DSSB"), a wholly-owned subsidiary of MFM, to Tyson for a total disposal consideration of up to RM420,000,000 to be satisfied wholly by cash, in conjunction with the proposed strategic partnership with Tyson.

DSSB was incorporated on 2 February 2021 with the issued and paid-up share capital at RM1.00, represented by 1 ordinary share. As at 5 February 2021, being the latest practicable date prior to the announcement above, DSSB holds the entire equity interests of Dindings Poultry Processing Sdn Bhd ("DPP") and Dindings Poultry Development Centre Sdn Bhd ("DPDC") (except for 1 unit of ordinary share of DPDC held by Perak State Agricultural Development Corporation) which collectively undertake vertical integrated poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP.

Besides the above proposal, there were no new proposals announced as at 20 February 2021, the latest practicable date which is not earlier than seven (7) days from the date of this report.

- (b) The status of the utilisation of proceeds from the Rights Issue is as follows:

Purpose	Proposed Utilisation RM' million	As at 31 December 2020		Intended Timeframe for Utilisation	Deviation Over spent	
		Actual Utilisation RM' million	Balance Unutilised RM' million		RM' million	%
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	208.93	7.83	Within 2 years	-	-
Repayment of revolving credit loans drawn to finance working capital requirement	54.80	54.80	-	-	-	-
Estimated expenses for the Rights Issue	3.58	3.95	-	-	(0.37) *	-10%
	<u>275.14</u>	<u>267.68</u>	<u>7.83</u>		<u>(0.37)</u>	

* The additional expenses incurred were paid from working capital.

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19. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 31 December 2020 were as follows:

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	227,428	223,058
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	310,733	314,965
Denominated in US Dollar (i)	495,507	539,187
Denominated in Vietnamese Dong (ii)	79,058	45,896
<u>Term loans</u>		
Denominated in Ringgit Malaysia	46,850	47,580
	<u>932,148</u>	<u>947,628</u>

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

- (i) Denominated in USD of RM495,507,000 equivalent to USD123,352,000 translated at USD/MYR rate of 4.0170 (2019: RM539,187,000 equivalent to USD131,734,000 translated at USD/MYR rate of 4.0930); and
- (ii) Denominated in VND of RM79,058,000 equivalent to VND456,402 million translated at VND/MYR rate of 5,773 (2019: RM45,896,000 equivalent to VND260,486 million translated at VND/MYR rate of 5,676)

The details of the Group's debt securities as at 31 December 2020 were as follows:

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
RCULS - Liability component		
Non-current	14,234	18,500
Current	5,087	5,495
	<u>19,321</u>	<u>23,995</u>

20. Changes in Material Litigation

Dindings Poultry Processing Sdn Bhd ("DPP"), a subsidiary of the Company, had appointed eTEC E&C (M) Sdn Bhd as contractor ("the Contractor") to construct the new v5, primary processing and further processing plant in Lumut in December 2016. As the Contractor had breached the terms of the agreement, DPP had issued a notice of termination of the contract for breach of the terms of the contract which entitled DPP to make a demand on the performance guarantee of RM12.4 million issued in favour of DPP pursuant to the terms of the contract. Just prior to the demand, the Contractor commenced proceeding in the High Court to restrain DPP from making the demand. The High Court dismissed the Contractor's claim and the bank issuing the guarantee proceeded to release the sum of RM12.4 million to DPP. The Contractor filed an appeal against the decision and the matter was fixed for case management in the Court of Appeal on 10 March 2021. DPP's solicitors are of the opinion that there is a good prospect to resist the appeal in favour of DPP.

The Contractor has commenced adjudication proceedings for an alleged claim under various progress claims in the total sum of RM65.9 million. DPP has appointed solicitors to resist the alleged claim on the grounds that the claim is frivolous. DPP has also raised a counterclaim sum of RM48.1 million in the said proceedings. The adjudication is pending disposal and the solicitors are of the opinion that DPP has a good arguable defence in resisting the alleged claim.

Arising from the breach of the contract by the Contractor, DPP has initiated arbitration proceedings against the Contractor for the consequential losses and damages which has been and/or to be incurred by DPP. The claim is presently estimated to be approximately RM46.7 million. Against this, the Contractor counterclaims against DPP a sum of approximately RM78.3 million arising from the early termination of the Contractor's employment. DPP's solicitors are of the opinion that DPP has a good arguable claim against the Contractor and the Contractor's counterclaims. These proceedings are pending disposal.

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

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

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21. Earnings Per Share ("EPS")

(a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share amounts are calculated by dividing profit 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		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	17,272	3,260	5,413	43,251
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,009,266	1,003,717	1,007,587	958,710
Basic earnings per ordinary share (sen)	1.71	0.32	0.54	4.51

(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		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company	17,272	3,260	5,413	43,251
Interest expense on RCULS, net of tax	316	325	1,275	1,309
	17,588	3,585	6,688	44,560
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,009,266	1,003,717	1,007,587	958,710
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	227,858	234,046	227,858	234,046
- Assumed conversion of Warrants	-	137,569	-	137,569
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,237,124	1,375,332	1,235,445	1,330,325
Diluted earnings per ordinary share (sen)	1.42	0.26	0.54	3.35

However, the Warrants were anti-dilutive during the current quarter as the Warrants' exercise price was higher than the average market price of the Company's shares during the period. Accordingly, the exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share.

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22. Profit for the period

	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 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	19,322	16,855	68,466	65,571
Depreciation of right-of-use assets	820	688	3,294	3,448
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	7,339	6,851	37,293	29,684
Net unrealised loss on future and option contracts	4,982	710	2,126	-
Net realised loss on foreign exchange	-	-	1,937	89
Net unrealised loss on foreign exchange	1,266	-	-	-
Net fair value loss on biological assets	4,653	8,259	2,062	1,090
Property, plant and equipment written off	82	35	724	156
Loss on disposal of property, plant & equipment	-	74	-	-
Impairment loss of trade receivables	646	2,704	11,077	9,429
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	4,396	3,651	19,190	11,037
- debtors	181	56	832	267
Bad debts recovered	5	13	13	18
Insurance recoveries	632	40	2,030	2,356
Net unrealised gain on future and option contracts	-	-	-	12
Net realised gain on future and option contracts	4,438	1,813	4,263	10,668
Net realised gain on foreign exchange	1,034	417	-	-
Net unrealised gain on foreign exchange	-	37	2	1,639
Gain on disposal of property, plant and equipment	4	-	9,116	258
Reversal of impairment loss of trade receivables	2,585	1,682	9,887	3,451

23. Derivatives

(a) Contract and fair value of derivatives

	As at 31.12.2020		As at 31.12.2019	
	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>				
- Future and option contracts	-	-	3,907	4,447
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	330,709	323,940	376,577	371,927
- Future and option contracts	(5,461)	(7,171)	(842)	(967)

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(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2019: 5 percent) strengthening/(weakening) of RM against USD for the foreign currency forward contracts outstanding at the balance sheet date would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below:

	12 months ended 31.12.2020		12 months ended 31.12.2019	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group	(6,262)	6,262	(6,179)	6,179

(c) Liquidity risk

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

- (d) The significant accounting policies adopted for financial assets and financial liabilities measured at fair value through profit or loss are consistent with those of the audited financial statements for the year ended 31 December 2019.

24. Net gains and losses arising from financial instruments

	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net (losses)/gains on:				
Financial assets/(liabilities) at fair value through profit or loss:				
Mandatorily required by MFRS 9				
- foreign currency forward contracts	(5,811)	(4,831)	(2,119)	(1,028)
- future and option contracts	(544)	1,102	2,137	10,680
Financial assets at amortised cost	6,419	2,684	18,735	5,326
Financial liabilities measured at amortised cost	(1,759)	(1,565)	(37,109)	(27,106)
	(1,695)	(2,610)	(18,356)	(12,128)

For the 12 months ending 31 December 2020, the net losses are mainly due to realised loss on foreign exchange, interest expenses on borrowings and net impairment loss on trade receivables, but partially offset with realised gain on future and option contracts as well as interest income.

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
26 February 2021