

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 March 2021

	(Unaudited) As at 31.03.2021 RM '000	(Audited) As at 31.12.2020 RM '000
Assets		
Property, plant and equipment	1,083,514	1,090,278
Intangible assets	3,291	3,656
Investment properties	4,982	4,997
Right-of-use assets	29,779	30,420
Investment in a joint venture	168,211	164,738
Investment in an associate	1,062	1,050
Deferred tax assets	24,001	18,471
Total non-current assets	1,314,840	1,313,610
Trade and other receivables, including derivatives	391,511	380,323
Prepayments and other assets	3,316	4,467
Inventories	499,869	428,194
Biological assets	46,136	48,586
Current tax assets	2,659	2,195
Cash and cash equivalents	448,434	404,627
Total current assets	1,391,925	1,268,392
Total assets	2,706,765	2,582,002
Share capital	534,673	530,665
Reserves	474,950	457,715
RCULS - Equity component	78,646	82,479
Total equity attributable to owners of the Company	1,088,269	1,070,859
Non-controlling interests	100,510	94,048
Total equity	1,188,779	1,164,907
Liabilities		
Deferred tax liabilities	3,999	3,335
RCULS - Liability component	11,767	14,234
Lease liabilities	3,083	3,532
Loans and borrowings	214,638	227,428
Total non-current liabilities	233,487	248,529
RCULS - Liability component	4,786	5,087
Lease liabilities	2,020	2,063
Trade and other payables, including derivatives	129,238	220,335
Loans and borrowings	1,135,708	932,148
Current tax liabilities	12,747	8,933
Total current liabilities	1,284,499	1,168,566
Total liabilities	1,517,986	1,417,095
Total equity and liabilities	2,706,765	2,582,002
Net assets per share attributable to owners of the Company (RM)	1.07	1.06

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for year ended 31 December 2020 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 2021

	Note	Financial Period Ended	
		31.03.2021	31.03.2020
		RM '000	RM '000
Revenue		708,774	654,282
Cost of goods sold		(630,543)	(597,703)
Gross profit		78,231	56,579
Operating expenses		(51,144)	(63,688)
Results from operating activities		27,087	(7,109)
Interest expense		(7,767)	(10,073)
Interest income		4,786	4,685
Net finance expenses		(2,981)	(5,388)
Share of profit/(loss) of equity accounted joint venture, net of tax		4,053	(1,126)
Share of loss of equity accounted associate, net of tax		(4)	(4)
Profit/(Loss) before tax		28,155	(13,627)
Tax expense	17	(6,446)	(1,138)
Profit/(Loss) for the period		21,709	(14,765)
Profit/(Loss) attributable to:			
Owners of the Company		17,658	(16,786)
Non-controlling interests		4,051	2,021
Profit/(Loss) for the period		21,709	(14,765)
Basic earnings/(loss) per ordinary share (sen)	21	1.74	(1.67)
Diluted earnings/(loss) per ordinary share (sen)	21	1.31	(1.33)

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for year ended 31 December 2020 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 2021**

	Financial Period Ended	
	31.03.2021	31.03.2020
	RM '000	RM '000
Profit/(Loss) for the period	21,709	(14,765)
Other comprehensive income/(expense), net of tax		
Foreign currency translation differences for foreign operations	12,169	(5,837)
Total comprehensive income/(expense) for the period	33,878	(20,602)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	27,416	(24,649)
Minority interests	6,462	4,047
Total comprehensive income/(expense) for the period	33,878	(20,602)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for year ended 31 December 2020 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 2021

	← 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 1.1.2020	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
Balance at 1.1.2021	530,665	82,479	17,884	40,883	(53,590)	452,538	1,070,859	94,048	1,164,907
Total comprehensive income for the year	-	-	-	-	9,758	17,658	27,416	6,462	33,878
Retained earnings reinvested as capital contribution in subsidiaries	-	-	-	52,182	-	(52,182)	-	-	-
Conversion of RCULS	4,004	(3,833)	-	-	-	-	171	-	171
Issuance of shares pursuant to the exercise of warrants	4	-	-	-	-	-	4	-	4
Dividends to owners of the Company	-	-	-	-	-	(10,181)	(10,181)	-	(10,181)
Balance at 31.3.2021	534,673	78,646	17,884	93,065	(43,832)	407,833	1,088,269	100,510	1,188,779

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for year ended 31 December 2020 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 2021

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before tax	28,155	(13,627)
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	18,081	20,164
Depreciation of right-of-use assets	740	832
Gain on disposal of property, plant and equipment	(25)	(225)
Interest expense	7,767	10,073
Interest income	(4,786)	(4,685)
Property, plant and equipment and intangible assets written off	331	188
Share of (profit)/loss of equity accounted joint venture, net of tax	(4,053)	1,126
Share of loss of equity accounted associate, net of tax	4	4
Net unrealised (gain)/loss on foreign exchange	(832)	7,181
Operating profit before changes in working capital	45,382	21,031
Inventories	(64,761)	54,669
Biological assets	2,450	6,088
Trade and other receivables, prepayments and other financial assets	(191)	7,256
Trade and other payables and other financial liabilities	(87,933)	(48,969)
Cash (used in)/ generated from operations	(105,053)	40,075
Net income tax paid	(8,257)	(7,769)
Interest received	4,786	4,685
Interest paid	(7,461)	(9,752)
Net cash (used in)/generated from operating activities	(115,985)	27,239
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(8,416)	(27,595)
Increase in investment in a joint venture	-	(23,426)
Proceeds from disposal of property, plant and equipment	75	225
Net cash used in investing activities	(8,341)	(50,796)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(10,181)	(18,133)
Net proceeds from loans and borrowings	169,320	135,993
Payment of lease liabilities	(505)	(566)
RCULS coupon paid	(2,848)	(2,926)
Proceeds from issuance of shares pursuant to the exercise of the warrants	3	-
Net cash generate from financing activities	155,789	114,368
Net increase in Cash and Cash Equivalents	31,463	90,811
Effect of exchange rate fluctuations on cash held	12,344	8,967
Cash and Cash Equivalents at Beginning of Year	404,627	330,753
Cash and Cash Equivalents at End of Financial Period	448,434	430,531

Cash and Cash Equivalents

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

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Deposits placed with licensed banks	389,696	334,402
Cash and bank balances	23,923	50,937
Liquid investments	34,815	45,192
	448,434	430,531

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for year ended 31 December 2020 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 2020.

2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2020 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 2020, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2021 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, 8,008,708 new ordinary shares were issued and allotted arising from the conversion of RM4,004,354 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 March 2021, the outstanding nominal value of RCULS is RM109,924,827.

Warrants

In the current quarter, there were 5,000 Warrants exercised which resulted in 5,000 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 2021, the total number of Warrants which remained unexercised was 137,564,367.

Accordingly, the issued and paid-up share capital of the Company increased to RM534,672,890 comprising 1,018,295,729 ordinary shares following the RCULS conversion and Warrants exercise above.

Other than the above, there were no issuances, repurchases and repayment of debt and equity securities during the financial period ending 31 March 2021.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 31 March 2021

7. Dividend

The interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2020, amounting to RM10,181,000 was paid on 26 March 2021.

The Directors do not recommend any payment of dividend for the current financial period ended 31 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 March 2021, the outstanding loans proportionately amounted to USD8.7 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 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.

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 given that the court decision for years 2015 and 2016 were in favour of PT Bungasari. The sum of RM0.9 million paid was in accordance to PT Bungasari's VAT calculation basis.

10. Capital Commitments

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Property, plant and equipment		
Contracted but not provided for	23,369	24,948

11. Changes in Composition of the Group

On 2 February 2021, the Company incorporated Dindings Supreme Sdn Bhd ("DSSB"). On 5 February 2021, the Company and DSSB entered into a Share Transfer Agreement to transfer all ordinary shares in Dindings Poultry Development Centre Sdn. Bhd. and Dindings Poultry Processing Sdn. Bhd. respectively held by the Company to DSSB. On 9 March 2021, the transfer of shares was completed.

12. Segmental Information

Results for 3 months ended 31 March 2021

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	525,450	204,906	-	730,356
Eliminations - inter-segment	(6,320)	(15,262)	-	(21,582)
Revenue from external customers	519,130	189,644	-	708,774
Results from operating activities	48,684	(21,587)	(10)	27,087
Interest expense				(7,767)
Interest income				4,786
Share of profit of equity accounted joint venture, net of tax				4,053
Share of loss of equity accounted associate, net of tax				(4)
Profit before tax				28,155
Segments assets	1,502,267	1,034,713	512	2,537,492
Investment in a joint venture	168,211	-	-	168,211
Investment in an associate	-	-	1,062	1,062
Total segment assets	1,670,478	1,034,713	1,574	2,706,765

Results for 3 months ended 31 March 2020

	Flour and grains trading RM'000	Poultry integration RM'000	Others RM'000	Total RM'000
Total segment revenue	501,520	190,339	-	691,859
Eliminations - inter-segment	(15,886)	(21,691)	-	(37,577)
Revenue from external customers	485,634	168,648	-	654,282
Results from operating activities	22,080	(29,152)	(37)	(7,109)
Interest expense				(10,073)
Interest income				4,685
Share of loss of equity accounted joint venture, net of tax				(1,126)
Share of loss of equity accounted associate, net of tax				(4)
Loss before tax				(13,627)
Segments assets	1,444,966	1,068,995	523	2,514,484
Investment in a joint venture	136,773	-	-	136,773
Investment in an associate	-	-	1,098	1,098
Total segment assets	1,581,739	1,068,995	1,621	2,652,355

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 31 March 2021

13. Performance Review

Financial review for current quarter was as follows:

	3 months ended		Changes
	31.03.2021	31.03.2020	
	RM'000	RM'000	%
Revenue	708,774	654,282	8.3%
Results from operating activities	27,087	(7,109)	481.0%
Profit/(Loss) before tax	28,155	(13,627)	306.6%
Profit/(Loss) after tax	21,709	(14,765)	247.0%
Profit/(Loss) attributable to owners of the Company	17,658	(16,786)	205.2%

For the quarter ended 31 March 2021 (Q1 2021), the Group recorded a revenue of RM708.8 million, an increase of 8.3% from RM654.3 million registered in the same quarter ended 31 March 2020 (Q1 2020). This was attributed to higher sales recorded in the flour and grains trading segment which increased by 6.9% as well as the poultry integration segment by 12.4%.

The Group's operating profit turned around to RM27.1 million in Q1 2021 as compared to an operating loss of RM7.1 million in Q1 2020, attributable to improvements in both flour and grains trading and poultry integration segments. Flour and grains trading segment recorded a significantly higher operating profit of RM48.7 million in Q1 2021 as compared to an operating profit of RM22.1 million in Q1 2020. Meanwhile, poultry integration segment's operating loss narrowed to RM21.6 million in Q1 2021 from the operating loss of RM29.2 million in the same quarter last year. In addition, the Group's share of profit in equity accounted joint venture in Q1 2021 amounted to RM4.1 million as opposed to a share of loss of RM1.1 million in Q1 2020. Consequently, the Group recorded a higher profit before tax (PBT) of RM28.2 million in Q1 2021 as compared to a loss before tax (LBT) of RM13.6 million in Q1 2020. The main factors were as follows:-

- (i) Flour and grains trading segment's operating profit grew significantly by 120.5% from that of Q1 2020, primarily due to the better margin in the flour business amidst the lower wheat costs, higher selling price and demand in Q1 2021. On the contrary, the grains trading business incurred losses in Q1 2021 amidst lower demand and higher commodity costs.
- (ii) Poultry integration segment recorded an operating loss of RM21.6 million in Q1 2021 as compared to an operating loss of RM29.2 million in Q1 2020, attributable to key factors below:-
 - a) During Q1 2021, the Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) prevailed for certain major states in Malaysia. As compared to Q1 2020 when the first MCO was imposed starting from 18 March 2020, the poultry processed products segment recorded higher sales volume in Q1 2021 as demand for poultry processed products improved, on the back of an expanded production capacity since the new primary processing plant came into operation since Q1 2020. Nonetheless, the average selling prices of the poultry processed products remained dampened due to competitive pressure. The new plant had yet to achieve economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
 - b) Higher live birds prices coupled with lower impairment loss of trade receivables in Q1 2021 as compared to that of Q1 2020 contributed to the lower operating loss in Q1 2021; and
 - c) Furthermore, the fair value loss on biological assets in Q1 2021 was lower, amounting to RM6.8 million as compared to a fair value loss of RM8.1 million in Q1 2020.
- (iii) Lower net interest expenses were recorded in the flour and grains trading segment in Q1 2021 as compared to that of Q1 2020.
- (iv) In Q1 2021, the Group's share of profit of equity accounted joint venture in Indonesia amounted to RM4.1 million as compared to a share of loss of RM1.1 million in Q1 2020. The higher share of profit was mainly attributable to better margin amidst strong demand for flour in Q1 2021 as well as lower foreign exchange loss as IDR performed better against the USD in Q1 2021.

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

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

	Current Quarter	Immediate Preceding Quarter	Changes
	31.03.2021	31.12.2020	
	RM'000	RM'000	%
Revenue	708,774	712,014	(0.5%)
Results from operating activities	27,087	22,016	23.0%
Profit before tax	28,155	24,960	12.8%
Profit after tax	21,709	20,935	3.7%
Profit attributable to owners of the Company	17,658	17,272	2.2%

Revenue declined by 0.5% in Q1 2021 as compared to that of Q4 2020. Flour and grains trading segment recorded lower sales by 5.3% in Q1 2021. On the contrary, poultry integration segment registered higher sales by 15.6% in Q1 2021.

Flour and grains trading segment's operating profit increased by 31.1%, from RM37.1 million in Q4 2020 to RM48.7 million in Q1 2021, mainly attributable to the favourable margin arising from lower wheat costs and higher selling price in Q1 2021. However, these profits were partially negated by lower margin in the grains trading business due to higher grains cost in Q1 2021.

Poultry integration segment posted an operating loss of RM21.6 million in Q1 2021 as compared to an operating loss of RM15.1 million in Q4 2020 mainly attributable to higher feed cost in Q1 2021 and downward adjustment of fair value on biological assets from a loss of RM4.7 million in Q4 2020 to a loss of RM6.8 million in Q1 2021. Poultry processed products recorded higher sales volume in Q1 2021.

Our equity accounted joint venture registered a share of profit of RM4.1 million in Q1 2021 as compared to a share of profit of RM5.7 million in Q4 2020, mainly attributable to the foreign exchange loss recorded in Q1 2021 as IDR weakened against the USD during the quarter as compared to that of Q4 2020. Nonetheless, the joint venture recorded higher margin in Q1 2021 amidst strong demand for flour.

15. Prospects

The Board expects the Group's performance in 2021 to remain profitable despite uncertain economic environment, volatile commodity prices, foreign exchange rates and lingering effects of COVID-19 pandemic. The Board looks forward to the positive effect of the 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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Current income tax		
- current year	11,360	5,354
- prior year	6	(16)
Deferred tax		
- Origination and reversal of temporary difference	(4,995)	(5,295)
- Under provision in prior year	75	1,095
	<u>6,446</u>	<u>1,138</u>

Excluding the share of profit in equity accounted joint venture, the Group's effective tax rate during the quarter ended 31 March 2021 is higher than the Malaysia statutory tax rate of 24% mainly due to utilisation of tax losses in Malaysia and tax incentives in Vietnam.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 31 March 2021

18. Status of Corporate Proposals

(a) The following proposal was announced on 10 February 2021 and an EGM convened on 11 May 2021:

On 10 February 2021, the Company entered into a conditional share purchase agreement ("SPA") 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. On 5 February 2021, the Company and DSSB entered into a Share Transfer Agreement to transfer all ordinary shares in Dindings Poultry Development Centre Sdn. Bhd. ("DPDC") and Dindings Poultry Processing Sdn. Bhd. ("DPP") respectively held by the Company to DSSB. On 9 March 2021, the transfer of shares was completed, resulting in DSSB holding the entire equity interests of DPP and 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.

An Extraordinary General Meeting ("EGM") convened on a fully virtual basis on 11 May 2021 to seek the shareholders' approval for the proposed strategic partnership with Tyson in conjunction with the proposed disposal of 49% equity interest in DSSB, a wholly-owned subsidiary of the Company, to Tyson for a disposal consideration of up to RM420,000,000 to be satisfied wholly by cash and which involves the granting of call options for Tyson to acquire from the Company: (a) such number of shares representing up to 11% of the equity interest in DSSB at the time of the exercise of the call option; and (b) all of shares in DSSB held by the Company in the event there is a change of control of more than 50% of shares in the Company. The Board of Directors of the Company announced that the resolution set out in the Notice of EGM dated 26 April 2021 and tabled at the EGM of the Company held on 11 May 2021 was duly passed.

On 27 May 2021, the Company confirmed to Tyson that the SPA Conditions Precedent have been fulfilled. The SPA dated 10 February 2021 entered into by the Company with Tyson is now unconditional and MFM and Tyson have also mutually agreed that the SPA Completion Date shall fall on 31 May 2021.

Besides the above proposal, there were no new proposals announced as at 22 May 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:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM' million	<u>As at 31 March 2021</u>		<u>Revised Timeframe for Utilisation</u>	<u>Deviation Over spent</u>	
		<u>Actual Utilisation</u> RM' million	<u>Balance Unutilised</u> RM' million		<u>RM' million</u>	<u>%</u>
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	209.02	7.74	Within 3 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>267.77</u>	<u>7.74</u>		<u>(0.37)</u>	

* The additional expenses incurred were paid from working capital.

@ Construction work is in progress. The time frame has been extended for another 1 year from 28 January 2021 until 28 January 2022, to include the retention sum payment.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 31 March 2021

19. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 31 March 2021 were as follows:

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	214,638	227,428
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	404,762	310,733
Denominated in US Dollar (i)	614,830	495,507
Denominated in Vietnamese Dong (ii)	67,076	79,058
<u>Term loans</u>		
Denominated in Ringgit Malaysia	49,040	46,850
	<u>1,135,708</u>	<u>932,148</u>

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

- (i) Denominated in USD of RM614,830,000 equivalent to USD148,295,000 translated at USD/MYR rate of 4.1460 (2020: RM495,507,000 equivalent to USD123,352,000 translated at USD/MYR rate of 4.0170); and
- (ii) Denominated in VND of RM67,076,000 equivalent to VND374,856 million translated at VND/MYR rate of 5,588 (2020: RM79,058,000 equivalent to VND456,402 million translated at VND/MYR rate of 5,773)

The details of the Group's debt securities as at 31 March 2021 were as follows:

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
RCULS - Liability component		
Non-current	11,767	14,234
Current	4,786	5,087
	<u>16,553</u>	<u>19,321</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. On 10 March 2021, the Court of Appeal fixed the matter for further case management on 1 April 2021. On 1 April 2021, the Court of Appeal fixed the matter for further case management on 28 January 2022 and for Court hearing on 15 February 2022. 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. On 8 April 2021, the Adjudicator had delivered his decision to disallow the Contractor's claim and has awarded cost of the adjudication to be paid by the Contractor to DPP.

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 counter claims 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.

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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company	17,658	(16,786)
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,014,167	1,004,860
Basic earnings/(loss) per ordinary share (sen)	1.74	(1.67)

(b) Diluted Earnings Per Ordinary Share

The diluted earnings per ordinary share amounts are calculated by dividing profit/(loss) 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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company	17,658	(16,786)
Interest expense on RCULS, net of tax	306	321
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,014,167	1,004,860
Dilutive potential ordinary shares		
- Assumed conversion of RCULS	219,850	230,749
- Assumed exercise of Warrants	137,564	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,371,581	1,235,609
Diluted earnings/(loss) per ordinary share (sen)	1.31	(1.33)

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22. Profit/(Loss) for the period

	3 months ended	
	31.03.2021 RM'000	31.03.2020 RM'000
Profit/(Loss) for the period is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	18,081	20,164
Depreciation of right-of-use assets	740	832
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	7,767	10,073
Net realised loss on future and option contracts	8,961	-
Net unrealised loss on future and option contracts	-	469
Net realised loss on foreign exchange	-	977
Net unrealised loss on foreign exchange	-	7,181
Net fair value loss on biological assets	6,797	8,063
Property, plant and equipment written off	331	188
Impairment loss of trade receivables	603	8,465
and after crediting:		
Interest income from:		
- deposits placed with licensed banks	4,629	4,517
- debtors	157	168
Insurance recoveries	127	193
Net unrealised gain on future and option contracts	4,624	-
Net realised gain on future and option contracts	-	706
Net realised gain on foreign exchange	274	-
Net unrealised gain on foreign exchange	832	-
Gain on disposal of property, plant and equipment	25	225
Reversal of impairment loss of trade receivables	1,122	3,376

23. Derivatives

(a) Contract and fair value of derivatives

	As at 31.03.2021		As at 31.12.2020	
	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	363,165	369,219	-	-
- Future and option contracts	3,482	6,784	-	-
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	330,709	323,940
- Future and option contracts	362	(26)	(5,461)	(7,171)

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(b) Foreign currency risk

Currency risk sensitivity analysis

A 5 percent (2020: 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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Group	9,563	7,353

(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 2020.

24. Net gains and losses arising from financial instruments

	3 months ended	
	Profit or loss	
	31.03.2021	31.03.2020
	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	12,823	12,080
- future and option contracts	(4,336)	237
Financial assets at amortised cost	5,304	(404)
Financial liabilities measured at amortised cost	(19,484)	(30,311)
	<u>(5,693)</u>	<u>(18,398)</u>

For the 3 months ending 31 March 2021, the net losses are mainly due to realised loss on future and option contracts and interest expenses on borrowings, but partially offset by unrealised gain on future and option contracts, realised and unrealised gain on foreign exchange 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
 28 May 2021