

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2021

| | (Unaudited) As at 30.06.2021 RM '000 | (Audited) As at 31.12.2020 RM '000 |
|--|---|---|
| Assets | | |
| Property, plant and equipment | 428,965 | 1,090,278 |
| Intangible assets | 453 | 3,656 |
| Investment properties | 4,968 | 4,997 |
| Right-of-use assets | 11,321 | 30,420 |
| Investments in joint ventures | 595,470 | 164,738 |
| Investment in an associate | 1,058 | 1,050 |
| Deferred tax assets | 3,245 | 18,471 |
| Other receivables | 236,774 | - |
| Total non-current assets | 1,282,254 | 1,313,610 |
| Trade and other receivables, including derivatives | 337,065 | 380,323 |
| Prepayments and other assets | 1,455 | 4,467 |
| Inventories | 509,812 | 428,194 |
| Biological assets | - | 48,586 |
| Current tax assets | 3,117 | 2,195 |
| Cash and cash equivalents | 452,078 | 404,627 |
| | 1,303,527 | 1,268,392 |
| Asset classified as held for sale | 33,597 | - |
| Total current assets | 1,337,124 | 1,268,392 |
| Total assets | 2,619,378 | 2,582,002 |
| | | |
| Share capital | 535,523 | 530,665 |
| Reserves | 604,820 | 457,715 |
| RCULS - Equity component | 78,518 | 82,479 |
| Total equity attributable to owners of the Company | 1,218,861 | 1,070,859 |
| Non-controlling interests | 98,367 | 94,048 |
| Total equity | 1,317,228 | 1,164,907 |
| Liabilities | | |
| Deferred tax liabilities | 3,930 | 3,335 |
| RCULS - Liability component | 12,061 | 14,234 |
| Lease liabilities | 2,484 | 3,532 |
| Loans and borrowings | 186,711 | 227,428 |
| Total non-current liabilities | 205,186 | 248,529 |
| RCULS - Liability component | 4,780 | 5,087 |
| Lease liabilities | 1,788 | 2,063 |
| Trade and other payables, including derivatives | 93,286 | 220,335 |
| Loans and borrowings | 977,537 | 932,148 |
| Current tax liabilities | 19,573 | 8,933 |
| Total current liabilities | 1,096,964 | 1,168,566 |
| Total liabilities | 1,302,150 | 1,417,095 |
| Total equity and liabilities | 2,619,378 | 2,582,002 |
| | | |
| Net assets per share attributable to owners of the Company (RM) | 1.20 | 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 30 June 2021

| | Note | 3 months ended | | Financial Period Ended | |
|---|------|----------------|------------|------------------------|------------|
| | | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | | RM '000 | RM '000 | RM '000 | RM '000 |
| Continuing operations | | | | | |
| Revenue | | 576,172 | 525,540 | 1,111,728 | 1,035,615 |
| Cost of goods sold | | (506,865) | (473,852) | (971,379) | (930,103) |
| Gross profit | | 69,307 | 51,688 | 140,349 | 105,512 |
| Operating expenses | | (31,540) | (18,984) | (54,750) | (51,996) |
| Results from operating activities | | 37,767 | 32,704 | 85,599 | 53,516 |
| Interest expense | | (2,559) | (7,879) | (7,708) | (15,999) |
| Interest income | | 9,410 | 9,945 | 18,844 | 19,263 |
| Net finance expenses | | 6,851 | 2,066 | 11,136 | 3,264 |
| Share of (loss)/profit of equity accounted joint ventures, net of tax | | (10,486) | 2,098 | (6,433) | 972 |
| Share of loss of equity accounted associate, net of tax | | (4) | (6) | (8) | (10) |
| Profit before tax | | 34,128 | 36,862 | 90,294 | 57,742 |
| Tax expense | 17 | (7,486) | (6,173) | (18,179) | (12,496) |
| Profit from continuing operations | | 26,642 | 30,689 | 72,115 | 45,246 |
| Discontinued operation | | | | | |
| Profit/(Loss) from discontinued operation, net of tax | 18 | 109,537 | (29,562) | 85,773 | (58,884) |
| Profit/(Loss) for the period | | 136,179 | 1,127 | 157,888 | (13,638) |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | | | | | |
| - from continuing operations | | 18,775 | 25,081 | 60,197 | 37,617 |
| - from discontinued operations | | 109,537 | (29,562) | 85,773 | (58,884) |
| | | 128,312 | (4,481) | 145,970 | (21,267) |
| Non-controlling interests | | 7,867 | 5,608 | 11,918 | 7,629 |
| Profit/(Loss) for the period | | 136,179 | 1,127 | 157,888 | (13,638) |
| Basic earnings/(loss) per ordinary share (sen) | | | | | |
| - from continuing operations | 22 | 1.84 | 2.49 | 5.92 | 3.74 |
| - from discontinued operations | 22 | 10.75 | (2.93) | 8.44 | (5.85) |
| Diluted earnings/(loss) per ordinary share (sen) | | | | | |
| - from continuing operations | 22 | 1.39 | 2.05 | 4.43 | 3.09 |
| - from discontinued operations | 22 | 7.96 | (2.39) | 6.25 | (4.76) |

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 30 June 2021

| | 3 months ended | | Financial Period Ended | |
|--|----------------|-----------------|---------------------------|-----------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Profit/(Loss) for the period | 136,179 | 1,127 | 157,888 | (13,638) |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation differences for foreign operations | 1,930 | 22,626 | 14,099 | 16,789 |
| Total comprehensive income for the period | 138,109 | 23,753 | 171,987 | 3,151 |
| Total comprehensive income/(expense) attributable to: | | | | |
| Owners of the Company | | | | |
| - from continuing operations | 20,447 | 46,956 | 71,627 | 51,629 |
| - from discontinued operations | 109,537 | (29,562) | 85,773 | (58,884) |
| | 129,984 | 17,394 | 157,400 | (7,255) |
| Minority interests | 8,125 | 6,359 | 14,587 | 10,406 |
| Total comprehensive income for the period | 138,109 | 23,753 | 171,987 | 3,151 |

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 30 June 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 | - | - | - | - | 157,400 | - | 157,400 | 14,587 | 171,987 |
| Retained earnings reinvested as capital contribution in subsidiaries | - | - | - | 52,182 | - | (52,182) | - | - | - |
| Conversion of RCULS | 4,145 | (3,961) | - | - | - | - | 184 | - | 184 |
| Issuance of shares pursuant to the exercise of warrants | 713 | - | (114) | - | - | - | 599 | - | 599 |
| Dividends to owners of the Company | - | - | - | - | - | (10,181) | (10,181) | - | (10,181) |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | (10,268) | (10,268) |
| Balance at 30.6.2021 | 535,523 | 78,518 | 17,770 | 93,065 | 103,810 | 390,175 | 1,218,861 | 98,367 | 1,317,228 |

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 30 June 2021

| | 6 months ended | |
|---|----------------|------------|
| | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | |
| Profit from continuing operations | 90,294 | 57,742 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets | 15,559 | 16,428 |
| Depreciation of right-of-use assets | 1,198 | 937 |
| Gain on disposal of property, plant and equipment | (226) | (15) |
| Interest expense | 7,708 | 15,999 |
| Interest income | (18,844) | (19,263) |
| Property, plant and equipment and intangible assets written off | 14 | 48 |
| Share of loss/(profit) of equity accounted joint venture, net of tax | 6,433 | (972) |
| Share of loss of equity accounted associate, net of tax | 8 | 10 |
| Net unrealised gain on foreign exchange | (405) | (1,459) |
| Operating profit before changes in working capital | 101,739 | 69,455 |
| Inventories | (165,990) | 14,946 |
| Trade and other receivables, prepayments and other financial assets | (31,362) | (16,556) |
| Trade and other payables and other financial liabilities | (60,236) | (54,611) |
| Cash (used in)/ generated from operations | (155,849) | 13,234 |
| Net income tax paid | (9,368) | (9,041) |
| Interest received | 18,844 | 19,263 |
| Interest paid | (7,098) | (15,358) |
| Operating cash flow (used in)/generated from continuing operations | (153,471) | 8,098 |
| Operating cash flow (used in)/generated from discontinued operation | (69,680) | 6,176 |
| Net cash (used in)/generated from operating activities | (223,151) | 14,274 |
| Cash Flows From Investing Activities | | |
| Acquisition of property, plant and equipment and intangible assets | (23,902) | (7,978) |
| Increase in investment in a joint venture | - | (38,778) |
| Proceeds from disposal of property, plant and equipment | 275 | 15 |
| Proceeds from disposal of stake in subsidiaries | 183,226 | - |
| Net cash outflow from deconsolidation of subsidiaries | (50,707) | - |
| Investing cash flow generated from/(used in) continuing operations | 108,892 | (46,741) |
| Investing cash flow used in discontinued operation | (5,753) | (42,027) |
| Net cash generated from/(used in) investing activities | 103,139 | (88,768) |
| Cash Flows From Financing Activities | | |
| Dividends paid to owners of the Company | (10,181) | (18,133) |
| Dividends paid to non-controlling interests | (10,268) | - |
| Net proceeds from loans and borrowings | 102,384 | 117,692 |
| Payment of lease liabilities | (916) | (558) |
| RCULS coupon paid | (2,848) | (2,926) |
| Proceeds from issuance of shares pursuant to the exercise of the warrants | 599 | - |
| Financing cash flow generated from continuing operations | 78,770 | 96,075 |
| Financing cash flow generated from discontinued operation | 75,049 | 20,955 |
| Net cash generated from financing activities | 153,819 | 117,030 |
| Net increase in Cash and Cash Equivalents | 33,807 | 42,536 |
| Effect of exchange rate fluctuations on cash held | 13,644 | 12,548 |
| Cash and Cash Equivalents at Beginning of Year | 404,627 | 330,753 |
| Cash and Cash Equivalents at End of Financial Period | 452,078 | 385,837 |

Cash and Cash Equivalents

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

| | 6 months ended | |
|-------------------------------------|----------------|------------|
| | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 |
| Deposits placed with licensed banks | 402,039 | 347,398 |
| Cash and bank balances | 29,424 | 22,678 |
| Liquid investments | 20,615 | 15,761 |
| | 452,078 | 385,837 |

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 quarter ended 31 March 2021, 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.

In the current quarter, 281,600 new ordinary shares were issued and allotted arising from the conversion of RM140,800 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 30 June 2021, the outstanding nominal value of RCULS is RM109,784,027.

Warrants

In the quarter ended 31 March 2021, 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.

In the current quarter, there were 876,000 Warrants exercised which resulted in 876,000 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 30 June 2021, the total number of Warrants which remained unexercised was 136,688,367.

Accordingly, the issued and paid-up share capital of the Company increased to RM535,523,250 comprising 1,019,453,329 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 30 June 2021.

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

(a) PT Bungasari Flour Mills Indonesia

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 30 June 2021, the outstanding loans proportionately amounted to USD10.1 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.

(b) Profit Guarantee Payment

As stated in Note 19(a), a Bank Guarantee amounting to RM28,741,947.27 has been made available to Tyson with effect from 25 May 2021, within which a Profit Guarantee Payment of RM15 million is included and will be payable in the following circumstances:

- (i) If the Earnings Before Interest, Tax and Depreciation (EBITDA) for the financial year ending 2021 is equal to or more than RM58 million, the Profit Guarantee Payment shall be zero;
- (ii) If the EBITDA for the financial year ending 2021 is less than RM58 million but equal to or more than RM54 million, the Profit Guarantee Payment shall be RM12 million; and
- (iii) If the EBITDA for the financial year ending 2021 is less than RM54 million, the Profit Guarantee Payment shall be RM15 million.

Given the uncertainty arising from economic circumstance and lingering effect of COVID-19, the management will continue to monitor the poultry outlook in the coming quarters. Should the DTSB Group segment for the rest of year foreseen to be unable to achieve the pre-determined EBITDA, this may warrant an obligation to pay Tyson for the Company's Profit Guarantee Payment of RM15 million.

10. Capital Commitments

| | As at 30.06.2021 RM'000 | As at 31.12.2020 RM'000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Property, plant and equipment | | |
| Contracted but not provided for | 11,608 | 13,540 |

11. Changes in Composition of the Group

On 2 February 2021, the Company incorporated Dindings Tyson Sdn Bhd (formerly known as Dindings Supreme Sdn Bhd)("DTSB"). On 5 February 2021, the Company and DTSB 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 DTSB. On 9 March 2021, the transfer of shares was completed.

The disposal of the Company's 49% equity interest in DTSB to Tyson International Holding Company was completed on 31 May 2021. The details of the disposal are as explained in Note 19(a).

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

12. Segmental Information

Results for 6 months ended 30 June 2021

| | Flour and grains trading RM'000 | Aqua Feed Milling RM'000 | Others RM'000 | Total RM'000 |
|---|--|---|--------------------------|-------------------------|
| Total segment revenue | 1,093,123 | 24,212 | - | 1,117,335 |
| Eliminations - inter-segment | (5,607) | - | - | (5,607) |
| Revenue from external customers | 1,087,516 | 24,212 | - | 1,111,728 |
| Results from operating activities | 87,830 | (2,191) | (40) | 85,599 |
| Interest expense | | | | (7,708) |
| Interest income | | | | 18,844 |
| Share of loss of equity accounted joint ventures, net of tax | | | | (6,433) |
| Share of loss of equity accounted associate, net of tax | | | | (8) |
| Profit before tax | | | | 90,294 |
| Profit from discontinued operation, net of tax | | | | 85,773 |
| Segments assets | 1,920,175 | 102,131 | 544 | 2,022,850 |
| Investments in joint ventures | 595,470 | - | - | 595,470 |
| Investment in an associate | - | - | 1,058 | 1,058 |
| Total segment assets - continuing operations | 2,515,645 | 102,131 | 1,602 | 2,619,378 |
| Segment assets - discontinued operation | | | | - |

Results for 6 months ended 30 June 2020

| | Flour and grains trading RM'000 | Aqua Feed Milling RM'000 | Others RM'000 | Total RM'000 |
|--|--|---|--------------------------|-------------------------|
| Total segment revenue | 1,018,764 | 19,417 | - | 1,038,181 |
| Eliminations - inter-segment | (2,566) | - | - | (2,566) |
| Revenue from external customers | 1,016,198 | 19,417 | - | 1,035,615 |
| Results from operating activities | 55,155 | (1,589) | (50) | 53,516 |
| Interest expense | | | | (15,999) |
| Interest income | | | | 19,263 |
| Share of profit of equity accounted joint venture, net of tax | | | | 972 |
| Share of loss of equity accounted associate, net of tax | | | | (10) |
| Profit before tax | | | | 57,742 |
| Loss from discontinued operation, net of tax | | | | (58,884) |
| Segments assets | 1,443,491 | 100,193 | 523 | 1,544,207 |
| Investment in a joint venture | 172,763 | - | - | 172,763 |
| Investment in an associate | - | - | 1,088 | 1,088 |
| Total segment assets - continuing operations | 1,616,254 | 100,193 | 1,611 | 1,718,058 |
| Segment assets - discontinued operation | | | | 942,651 |

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

13. Performance Review

Financial review for current quarter was as follows:

| Continuing operations | 3 months ended | | Changes | Financial Period Ended | | Changes |
|--|----------------|------------|---------|------------------------|------------|---------|
| | 30.06.2021 | 30.06.2020 | | 30.06.2021 | 30.06.2020 | |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue | 576,172 | 525,540 | 9.6% | 1,111,728 | 1,035,615 | 7.3% |
| Results from operating activities | 37,767 | 32,704 | 15.5% | 85,599 | 53,516 | 60.0% |
| Profit before tax | 34,128 | 36,862 | (7.4%) | 90,294 | 57,742 | 56.4% |
| Profit after tax | 26,642 | 30,689 | (13.2%) | 72,115 | 45,246 | 59.4% |
| Profit attributable to owners of the Company | 18,775 | 25,081 | (25.1%) | 60,197 | 37,617 | 60.0% |

In the prior financial periods, the financial results of DTSB Group, which represented the Group's poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP were reported within the poultry integration segment. As stated in Note 18, the financial results of DTSB Group up to 31 May 2021 were presented and disclosed as discontinued operation arising from the deconsolidation during the quarter ended 30 June 2021 (Q2 2021). Hence, a new operating segment consisting mainly of the Group's aqua feed milling is now reported. The comparatives for the operating segments have thus been restated to reflect the new operating segment.

For the quarter ended Q2 2021, the Group recorded a revenue of RM576.2 million, an increase of 9.6% from RM525.5 million registered in the same quarter ended 30 June 2020 (Q2 2020). This was attributed to higher sales recorded in both the flour and grains trading and aqua feed milling segments which increased by 9.3% and 30.1% respectively.

The Group recorded an operating profit of RM37.8 million in Q2 2021 as compared to an operating profit of RM32.7 million in Q2 2020, attributable to improvement in the flour and grains trading segment. Flour and grains trading segment recorded a higher operating profit of RM39.2 million in Q2 2021 as compared to an operating profit of RM33.1 million in Q2 2020. Meanwhile, aqua feed milling segment's operating loss widened slightly to RM1.4 million in Q2 2021 from an operating loss of RM0.4 million in the same quarter last year. The Group's share of loss in equity accounted joint ventures in Q2 2021 amounted to RM10.5 million as opposed to a share of profit of RM2.1 million in Q2 2020. Consequently, the Group recorded a higher profit before tax (PBT) of RM34.1 million in Q2 2021 as compared to a PBT of RM36.9 million in Q2 2020. The main factors were as follows:-

- (i) Flour and grains trading segment's operating profit grew by 18.3% from that of Q2 2020, primarily due to the better margin in the flour business amidst the lower wheat costs, higher selling price and stronger demand in Q2 2021. On the contrary, the grains trading business recorded a lower operating profit in Q2 2021 amidst lower demand and higher commodity costs. Net realised and unrealised loss on commodity futures and options in Q2 2021 amounted to RM6.2 million as compared to a gain of RM1.4 million in Q2 2020; and
- (ii) The aqua feed milling segment recorded an operating loss of RM1.4 million in Q2 2021, attributed to lower margin as a result of higher raw material costs; and
- (iii) Higher net interest income was recorded in the flour and grains trading segment in Q2 2021 as compared to that of Q2 2020; and
- (iv) In Q2 2021, the Group's share of loss of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM0.3 million as compared to a share of profit of RM2.1 million in Q2 2020. The joint venture recorded significant foreign exchange gain back in Q2 2020 as IDR strengthened against the USD significantly in Q2 2020. Demand for flour remained strong in Q2 2021; and
- (v) As stated in Note 18, the Company lost control in DTSB Group on 31 May 2021 and the assets and liabilities and the results of DTSB Group have been deconsolidated from that date. The Company's remaining 51% investment in DTSB Group is accounted for using the equity accounting method and is thus a joint venture.

In June 2021, DTSB Group recorded a loss after tax of RM20.0 million. Consequently, the Group's share of loss of this equity accounted joint venture at 51% amounted to RM10.2 million in June 2021.

In the 3 months' period of Q2 2021, DTSB Group incurred a loss after tax of RM36.6 million as compared to a loss after tax of RM29.6 million in Q2 2020. The losses were attributable to key factors below:-

- a) A total nationwide lockdown was imposed by the Malaysian government from 1 June 2021, which further restricted the operations of the economic sectors except for the essential economic and services sectors. As compared to Q2 2020 when the first MCO was imposed starting from 18 March 2020, the poultry processed products segment recorded higher sales volume in Q2 2021 as demand for poultry processed products improved, on the back of an expanded production capacity as the new primary processing plant came into operation since Q1 2020. The average selling prices of the poultry processed products improved in Q2 2021 amidst the competitive pressure. Nonetheless, the new plant had yet to achieve economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
- b) Live birds prices were higher in Q2 2021 as compared to that of Q2 2020; and
- c) The better margins from the sales of poultry processed products and live birds were negated by the higher fair value loss on biological assets in Q2 2021, amounting to RM17.8 million as compared to a fair value gain of RM2.6 million in Q2 2020.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

13. Performance Review (continued)

Revenue increased marginally to RM1,111.7 million for the financial period ended 30 June 2021 as compared to RM1,035.6 million posted in the preceding year, attributable to higher sales in both the flour and grains trading and aqua feed milling segments which rose by 7.0% and 24.7% respectively.

The Group recorded an operating profit of RM85.6 million in the financial period ended 30 June 2021 as compared to an operating profit of RM53.5 million in the same period in the preceding year. Flour and grains trading segment's operating profit surged to RM87.8 million in the financial period ended 30 June 2021 on the back of higher sales as compared to an operating profit of RM55.2 million in the preceding year. Aqua feed milling's operating loss widened from RM1.6 million in the same period in the preceding year to RM2.2 million in the financial period ended 30 June 2021. The Group's share of loss in equity accounted joint ventures in the financial period ended 30 June 2021 amounted to RM6.4 million as opposed to a share of profit of RM1.0 million in the same period in the preceding year. Consequently, the Group recorded a higher profit before tax (PBT) of RM90.3 million in the financial period ended 30 June 2021 as compared to a PBT of RM57.7 million in the period in the preceding year. This was attributable to:-

- (i) Flour and grains trading segment's operating profit surged by 59.2% from that of the preceding year, primarily due to favourable margin arising from higher sales volume of flour in the financial period ended 30 June 2021, coupled with higher selling prices and lower wheat costs. However, these were partially offset by losses in the grains trading business due to higher grains cost and lower demand in the financial period ended 30 June 2021. Net realised and unrealised loss on commodity futures and options in the financial period ended 30 June 2021 amounted to RM9.0 million as compared to a gain of RM1.6 million in the preceding year; and
- (ii) The aqua feed milling segment recorded an operating loss of RM2.2 million in the financial period ended 30 June 2021, attributed to lower margin as a result of higher raw material costs; and
- (iii) Higher net interest income was recorded in the flour and grains trading segment in the financial period ended 30 June 2021 as compared to that of the same period in the preceding year; and
- (iv) In the financial period ended 30 June 2021, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM3.8 million as compared to a share of profit of RM1.0 million in the preceding year. The higher flour sales volume coupled with better margins negated the forex losses in the financial period ended 30 June 2021; and
- (v) In June 2021, DTSB Group recorded a loss after tax of RM20.0 million. Consequently, the Group's share of loss of this equity accounted joint venture at 51% amounted to RM10.2 million in June 2021.

In the 6 months' financial period ended 30 June 2021, DTSB Group incurred a loss after tax of RM60.4 million as compared to a loss after tax of RM58.9 million in the same period of the preceding year. The losses were attributable to key factors below:-

- a) The poultry processed product category recorded higher sales volume in the financial period ended 30 June 2021 with the expanded production capacity in the new primary poultry processing plant since Q1 2020. Nonetheless, losses were still incurred as the new plant had not achieved economies-of-scale as plant utilisation remained lower than the optimum utilisation level; and
- b) In the financial period ended 30 June 2021, the live birds prices improved 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) Impairment of trade receivables decreased in the financial period ended 30 June 2021; and
- d) Fair value loss on biological assets in the financial period ended 30 June 2021 was higher at RM24.6 million as compared to a fair value loss of RM5.4 million in the preceding year, thus negating the better margins from the sales of poultry processed products and live birds.

Discontinued operation

| | 3 months ended | | Changes | Financial Period Ended | | Changes |
|---|----------------|------------|---------|------------------------|------------|---------|
| | 30.06.2021 | 30.06.2020 | | 30.06.2021 | 30.06.2020 | |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Profit/(Loss) from discontinued operation, net of tax | 109,537 | (29,562) | 470.5% | 85,773 | (58,884) | 245.7% |

As stated in Note 18, the financial results of DTSB Group representing the poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP up to 31 May 2021 were presented and disclosed as discontinued operation during the quarter ended 30 June 2021 (Q2 2021). Apart from the results from the discontinued operation, there was a one-off disposal gain of RM126.2 million recorded on 31 May 2021. The overall profit/(loss) from discontinued operation is explained below:-

- a) In April and May 2021, DTSB Group incurred a loss after tax of RM16.6 million as compared to a loss after tax of RM29.6 million in Q2 2020. The losses narrowed in April and May 2021, mainly attributable to better margins in the sales of poultry processed products and live birds arising from higher selling prices in April and May 2021.
- b) During the financial period from January till May 2021, DTSB Group incurred a loss after tax of RM40.4 million as compared to a loss after tax of RM58.9 million in the financial period ended 30 June 2020, mainly attributable to better margins in the sales of poultry processed products and live birds coupled with lower impairment of trade receivables in the financial period from January till May 2021.
- c) Upon the disposal of 49% equity interest in DTSB Group to Tyson on 31 May 2021 at the total disposal consideration of RM420.0 million, there was a one-off disposal gain of RM126.2 million. As stated in Note 19(b), the Initial Consideration of RM183,225,964 was received on 1 June 2021 whilst the First Earnout Consideration and Second Earnout Consideration will be calculated based on DTSB Group's results for financial years ending 2022 and 2023 respectively and if any, to be received in future years. Hence, the First and Second Earnout Considerations are classified as non-current other receivables in the Group's balance sheet as at 31 May 2021, amounting to RM236.8 million.

In accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, where the effect of the time value of money is material, this non-current other receivables of RM236.8 million will be discounted at the financial year-end to reflect the present value of the probable inflow of economic benefits and will be assessed from time to time and adjusted for based on the financial results projected for years 2022 and 2023 using the latest available information and developments. The necessary projection will be reviewed and assessed at the financial year-end.

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

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

Continuing operations

| | Current Quarter 30.06.2021 RM'000 | Immediate Preceding Quarter 31.03.2021 RM'000 | Changes % |
|--|--|---|--------------|
| Revenue | 576,172 | 535,556 | 7.6% |
| Results from operating activities | 37,767 | 47,832 | (21.0%) |
| Profit before tax | 34,128 | 56,166 | (39.2%) |
| Profit after tax | 26,642 | 45,473 | (41.4%) |
| Profit attributable to owners of the Company | 18,775 | 41,422 | (54.7%) |

Revenue increased by 7.6% in Q2 2021 as compared to that of Q1 2021. Flour and grains trading segment recorded higher sales by 7.6% whilst the aqua feed milling segment registered higher sales by 7.7% in Q2 2021.

Flour and grains trading segment's operating profit declined by 19.5%, from RM48.7 million in Q1 2021 to RM39.2 million in Q2 2021, mainly attributable to the lower margin arising from higher wheat costs in Q2 2021. However, the lower profits were partially offset by the better margin in the grains trading business arising from better grains selling prices in Q2 2021. Net realised and unrealised loss on commodity futures and options in Q2 2021 amounted to RM6.2 million as compared to a loss of RM2.8 million in Q1 2021.

The aqua feed milling segment's operating loss widened to RM1.4 million in Q2 2021 from RM0.8 million in Q1 2021, attributed to lower margin as a result of higher raw material costs.

Our equity accounted joint venture, PT Bungasari Flour Mills Indonesia recorded a share of loss of RM0.3 million in Q2 2021 as compared to a share of profit of RM4.1 million in Q1 2021. The losses in Q2 2021 were mainly attributable to the lower sales volume and margin in Q2 2021. The IDR was relatively more stable against the USD in Q2 2021 as compared to that of Q1 2021.

As for the equity accounted joint venture, DTSB Group, the Group's share of loss amounted to RM10.2 million in June 2021.

In the 3 months' period of Q2 2021, DTSB Group incurred a loss after tax of RM36.6 million as compared to a loss after tax of RM23.8 million in Q1 2021. The higher losses in Q2 2021 was mainly due to lower margins arising from higher feed cost in Q2 2021 as well as downward adjustment of fair value on biological assets from a loss of RM6.8 million in Q1 2021 to a loss of RM17.8 million in Q2 2021.

Discontinued operation

| | 2 months ended 31.05.2021 RM'000 | Immediate Preceding Quarter 31.03.2021 RM'000 | Changes % |
|--|--|---|--------------|
| Profit/(Loss) from discontinued operation, net of tax | 109,537 | (23,764) | 560.9% |

Profit from discontinued operation amounted to RM109.5 million in April and May 2021, which comprises loss after tax of RM16.6 million and a one-off gain on disposal of 49% equity interest in DTSB Group to Tyson of RM126.2 million. In Q1 2021, the loss from discontinued operation amounted to RM23.8 million. The losses narrowed in April and May 2021, mainly attributable to better margins in the sales of poultry processed products and live birds arising from higher selling prices in April and May 2021.

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 19(a)).

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

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

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

17. Income Tax Expense/(Credit)

Continuing operations

| | 3 months ended | | 6 months ended | |
|--|----------------|--------------|----------------|---------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax | | | | |
| - current year | 7,404 | 6,296 | 18,764 | 11,650 |
| - prior year | - | - | 6 | (16) |
| Deferred tax | | | | |
| - Origination and reversal of temporary difference | 82 | (123) | (666) | (233) |
| - Under provision in prior year | - | - | 75 | 1,095 |
| | <u>7,486</u> | <u>6,173</u> | <u>18,179</u> | <u>12,496</u> |

Excluding the share of loss in equity accounted joint venture, the Group's effective tax rate during the quarter ended 30 June 2021 is lower than the Malaysia statutory tax rate of 24% mainly due to tax incentives and lower tax rates in Vietnam.

Discontinued operation

| | 2 months ended | 3 months ended | 5 months ended | 6 months ended |
|---------------------|----------------|----------------|----------------|----------------|
| | 31.05.2021 | 30.06.2020 | 31.05.2021 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax income | - | (5,292) | (4,247) | (10,477) |

The deferred tax income originated mainly from timing differences on unabsorbed tax losses and fair value on biological assets provision.

18. Discontinued Operations arising from deconsolidation of subsidiaries

As stated in Note 19(a), the Company confirmed to Tyson that the SPA Conditions Precedent for the disposal of the Company's 49% equity interest in Dindings Tyson Sdn Bhd (formerly known as Dindings Supreme Sdn Bhd) ("DTSB") had been fulfilled on 27 May 2021. The SPA for the disposal was subsequently completed on 31 May 2021 in accordance with its terms and conditions.

On 31 May 2021, DTSB's new board of directors was formed. Under the Shareholders' Agreement, at least 1 affirmative vote from both MFM and Tyson respectively is required for the approval of board reserved matters which direct the activities that significantly affect DTSB's returns.

Accordingly, the Company lost control in DTSB on 31 May 2021 and the assets and liabilities and the results of DTSB Group have been deconsolidated from that date. Pursuant to the IFRS and the MFRS 10 *Consolidated Financial Statements*, DTSB Group is no longer deemed as a subsidiary of MFM although MFM still holds 51% of the equity interest in DTSB. The remaining 51% investment in DTSB Group is accounted for under the IAS 28 and MFRS 128 *Investments in Associates and Joint Ventures*.

The Group therefore presents and discloses the financial results of DTSB Group up to 31 May 2021 as discontinued operation representing the Group's poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP (which was previously reported within the poultry integration segment). The comparatives for the statements of profit or loss and other comprehensive income of the Group have been restated to reflect the discontinued operation. The results of the discontinued operation up to 31 May 2021 which have been included in the results for the year, are as follows:

| | 2 months ended | 3 months ended | 5 months ended | 6 months ended |
|---|----------------|-----------------|----------------|-----------------|
| | 31.05.2021 | 30.06.2020 | 31.05.2021 | 30.06.2020 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | 155,531 | 150,889 | 352,116 | 333,910 |
| Cost of goods sold | (150,444) | (164,035) | (340,549) | (344,964) |
| Gross profit | 5,087 | (13,146) | 11,567 | (11,054) |
| Operating expenses | (15,848) | (14,415) | (43,073) | (44,428) |
| | (10,761) | (27,561) | (31,506) | (55,482) |
| Interest expense | (5,971) | (7,473) | (13,360) | (14,195) |
| Interest income | 78 | 180 | 201 | 316 |
| Net finance expenses | (5,893) | (7,293) | (13,159) | (13,879) |
| Loss before tax from discontinued operation | (16,654) | (34,854) | (44,665) | (69,361) |
| Deferred tax income | - | 5,292 | 4,247 | 10,477 |
| Loss for the financial period from discontinued operation | (16,654) | (29,562) | (40,418) | (58,884) |
| Gain on deconsolidation of subsidiaries | 126,191 | - | 126,191 | - |
| Profit/(Loss) from discontinued operation | 109,537 | (29,562) | 85,773 | (58,884) |

Cash flows (used in)/ generated from discontinued operation:

| | Financial Period Ended | |
|--|------------------------|-----------------|
| | 31.05.2021 | 30.06.2020 |
| | RM '000 | RM '000 |
| Net cash (used in)/generated from operating activities | (69,680) | 6,176 |
| Net cash used in investing activities | (5,753) | (42,027) |
| Net cash generated from financing activities | 75,049 | 20,955 |
| Effect on cash flows | <u>(384)</u> | <u>(14,896)</u> |

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

18. Discontinued Operations arising from deconsolidation of subsidiaries (continued)

The assets and liabilities of DTSB Group as at 31 May 2021 are as follows:

| | (Unaudited) |
|--|------------------|
| | As at |
| | 31.05.2021 |
| | RM '000 |
| Property, plant and equipment | 628,883 |
| Intangible assets | 2,555 |
| Right-of-use assets | 20,883 |
| Deferred tax assets | 20,602 |
| Trade and other receivables, including derivatives | 96,003 |
| Prepayments and other assets | 3,038 |
| Inventories | 137,208 |
| Biological assets | 45,948 |
| Cash and cash equivalents | 50,707 |
| Total assets | 1,005,827 |
| Lease liabilities | 3,380 |
| Loans and borrowings | 191,228 |
| Trade and other payables, including derivatives | 80,267 |
| Current tax liabilities | - |
| Total liabilities | 274,875 |
| Total net assets | 730,952 |
| Equity interest in DTSB Group as a joint venture | (437,143) |
| Disposal consideration | (420,000) |
| Gain on deconsolidation of subsidiaries | (126,191) |

19. 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 Tyson Sdn Bhd (formerly known as Dindings Supreme Sdn Bhd) ("DTSB"), 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.

DTSB 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 DTSB 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 DTSB. On 9 March 2021, the transfer of shares was completed, resulting in DTSB 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 DTSB, 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 DTSB at the time of the exercise of the call option; and (b) all of shares in DTSB 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 became unconditional and MFM and Tyson have also mutually agreed that the SPA Completion Date falls on 31 May 2021.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

19. Status of Corporate Proposals (continued)

The SPA for the disposal was completed on 31 May 2021 in accordance with its terms and conditions, and accordingly:

- The Company received RM183,225,964 from Tyson for the Estimated Sale Shares Consideration on 1 June 2021.
- The Bank Guarantee has been made available to Tyson with effect from 25 May 2021. The aggregate amount available for demand by Tyson under the Bank Guarantee is RM28,741,947.27, being an amount equal to (a) 7.5% of the Estimated Sale Shares Consideration plus (b) RM15 million. The Bank Guarantee shall be valid and enforceable from 25 May 2021 until the later of (i) the date falling 3 years from the date of the Bank Guarantee or (ii) the date on which all claims under the SPA made by Tyson prior to the expiry of 3 years period referred to in sub-paragraph (i) above in relation to (a) the Post-Completion Adjustment, (b) payment for breach of warranties given by MFM under the SPA, and (c) the Profit Guarantee have been fully and finally resolved.
- The Company entered into the Transaction Documents with the relevant parties on 31 May 2021.

Besides the above proposal, there were no new proposals announced as at 14 August 2021, the latest practicable date which is not earlier than seven (7) days from the date of this report.

- (b) The disposal consideration arising from the Company's disposal of 49% equity interest in DTSB to Tyson is to be received in 3 tranches - Initial Consideration, First Earnout Consideration and Second Earnout Consideration:-
- Initial Consideration will be calculated based on a pre-completion Statement, with the estimated cash, estimated debt and the estimated working capital, based on DTSB Group's books and records and other information (including any management accounts of DTSB Group) then available and prepared in accordance with the Accounting Standards and paid on the SPA Completion Date. The Company received the Initial Consideration of RM183,225,964 from Tyson on 1 June 2021.
 - The First Earnout Consideration will be calculated and paid, subject to conditions being met, after the audited financial statements of DTSB Group for financial year ending 2022 becomes available and following final agreement by MFM and Tyson.
 - The Second Earnout Consideration will be calculated and paid, subject to conditions being met after the audited financial statements of DTSB Group for financial year ending 2023 becomes available and following final agreement by MFM and Tyson.

The status of the utilisation of proceeds from the Initial Consideration is as follows:

| <u>Purpose</u> | <u>Proposed Utilisation</u> RM' million | <u>As at 30 June 2021</u> | | <u>Timeframe for Utilisation</u> | <u>Deviation Over spent</u> | |
|---|--|--|--|----------------------------------|-----------------------------|----|
| | | <u>Actual Utilisation</u> RM' million | <u>Balance Unutilised</u> RM' million | | RM' million | % |
| Repayment of bank borrowings | 126.00 | 169.17 | - | Within 6 months | (43.17) | - |
| Estimated expenses in relation to the Strategic Partnership | 14.00 | 14.06 | - | Within 1 month | (0.06)* | 0% |
| | <u>140.00</u> | <u>183.23</u> | <u>-</u> | | <u>(43.23)@</u> | |

* The additional expenses incurred were paid from working capital.

@ The Company received the actual Initial Consideration amounting to RM183,225,964, which was higher than the proposed utilisation of the Initial Consideration of RM140,000,000. Hence, a higher amount of bank borrowings were repaid.

- (c) 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 30 June 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 | | RM' million | % |
| Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure | 216.76 | 210.28 | 6.48 | 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>269.03</u> | <u>6.48</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 30 June 2021

20. Group's Borrowings and Debt Securities

The details of the Group's borrowings as at 30 June 2021 were as follows:

| | As at 30.06.2021 RM'000 | As at 31.12.2020 RM'000 |
|---|-------------------------------|-------------------------------|
| Unsecured Long Term Borrowings | | |
| <u>Term loans</u> | | |
| Denominated in Ringgit Malaysia | 186,711 | 227,428 |
| Unsecured Short Term Borrowings | | |
| <u>Bankers' acceptances/revolving credits</u> | | |
| Denominated in Ringgit Malaysia | 238,703 | 310,733 |
| Denominated in US Dollar (i) | 629,437 | 495,507 |
| Denominated in Vietnamese Dong (ii) | 63,237 | 79,058 |
| <u>Term loans</u> | | |
| Denominated in Ringgit Malaysia | 46,160 | 46,850 |
| | <u>977,537</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 RM629,437,000 equivalent to USD151,598,000 translated at USD/MYR rate of 4.1520 (2020: RM495,507,000 equivalent to USD123,352,000 translated at USD/MYR rate of 4.0170); and
- (ii) Denominated in VND of RM63,237,000 equivalent to VND352,131 million translated at VND/MYR rate of 5.568 (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 30 June 2021 were as follows:

| | As at 30.06.2021 RM'000 | As at 31.12.2020 RM'000 |
|------------------------------------|-------------------------------|-------------------------------|
| RCULS - Liability component | | |
| Non-current | 12,061 | 14,234 |
| Current | 4,780 | 5,087 |
| | <u>16,841</u> | <u>19,321</u> |

21. 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. DPP filed application to enforce the Adjudication Decision dated 8 April 2021 and the Contractor separately filed application to set aside and stay part of Adjudication Decision dated 8 April 2021 at High Court. Case Management was fixed on 19 July 2021 and it was decided that both DPP and the Contractor's applications would be heard together. The hearing at High Court is fixed on 7 October 2021.

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 RM45.1 million. Against this, the Contractor counter claims against DPP a sum of approximately RM78.7 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. The arbitration proceedings is currently at the pleadings stage and the hearing has been fixed on 11-15 July 2022 and 25-29 July 2022.

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.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

22. 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 | | 6 months ended | |
|--|----------------|----------------|----------------|-----------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) attributable to ordinary shareholders of the Company | | | | |
| - continuing operations | 18,775 | 25,081 | 60,197 | 37,617 |
| - discontinued operation | 109,537 | (29,562) | 85,773 | (58,884) |
| | <u>128,312</u> | <u>(4,481)</u> | <u>145,970</u> | <u>(21,267)</u> |
| Weighted average number of Ordinary Shares in issue for basic EPS computation ('000) | 1,019,209 | 1,007,586 | 1,016,702 | 1,006,223 |
| Basic earnings/(loss) per ordinary share (sen) | | | | |
| - continuing operations | 1.84 | 2.49 | 5.92 | 3.74 |
| - discontinued operation | 10.75 | (2.93) | 8.44 | (5.85) |
| | <u>12.59</u> | <u>(0.44)</u> | <u>14.36</u> | <u>(2.11)</u> |

(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 | | 6 months ended | |
|--|------------------|------------------|------------------|------------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) attributable to ordinary shareholders of the Company | | | | |
| - continuing operations | 18,775 | 25,081 | 60,197 | 37,617 |
| Interest expense on RCULS, net of tax | 305 | 320 | 611 | 641 |
| | <u>19,080</u> | <u>25,401</u> | <u>60,808</u> | <u>38,258</u> |
| - discontinued operation | 109,537 | (29,562) | 85,773 | (58,884) |
| | <u>128,617</u> | <u>(4,161)</u> | <u>146,581</u> | <u>(20,626)</u> |
| Weighted average number of Ordinary Shares in issue for basic EPS computation ('000) | 1,019,209 | 1,007,586 | 1,016,702 | 1,006,223 |
| Dilutive potential ordinary shares | | | | |
| - Assumed conversion of RCULS | 219,568 | 230,229 | 219,568 | 230,229 |
| - Assumed exercise of Warrants | 136,688 | - | 136,688 | - |
| | <u>1,375,465</u> | <u>1,237,815</u> | <u>1,372,958</u> | <u>1,236,452</u> |
| Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000) | 1,375,465 | 1,237,815 | 1,372,958 | 1,236,452 |
| Diluted earnings/(loss) per ordinary share (sen) | | | | |
| - continuing operations | 1.39 | 2.05 | 4.43 | 3.09 |
| - discontinued operation | 7.96 | (2.39) | 6.25 | (4.76) |
| | <u>9.35</u> | <u>(0.34)</u> | <u>10.68</u> | <u>(1.67)</u> |

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

23. Profit/(Loss) for the period

| | 3 months ended | | 6 months ended | |
|---|----------------|------------|----------------|------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Continuing operations | | | | |
| Profit/(Loss) for the period is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets | 7,232 | 7,027 | 15,559 | 16,428 |
| Depreciation of right-of-use assets | 594 | 494 | 1,198 | 937 |
| Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS | 2,559 | 7,879 | 7,708 | 15,999 |
| Net realised loss on future and option contracts | 4,420 | - | 11,852 | - |
| Net unrealised loss on future and option contracts | 1,779 | - | - | - |
| Net realised loss on foreign exchange | - | 1,840 | - | 2,878 |
| Net unrealised loss on foreign exchange | 426 | - | - | - |
| Property, plant and equipment written off | 13 | - | 14 | 48 |
| Impairment loss of trade receivables | 270 | 748 | 747 | 4,024 |
| and after crediting: | | | | |
| Interest income from: | | | | |
| - deposits placed with licensed banks | 9,359 | 9,863 | 18,758 | 19,148 |
| - debtors | 51 | 82 | 86 | 115 |
| Bad debts recovered | - | 4 | - | 4 |
| Insurance recoveries | 12 | 41 | 78 | 234 |
| Net realised gain on future and option contracts | - | 236 | - | 897 |
| Net unrealised gain on future and option contracts | - | 1,186 | 2,806 | 703 |
| Net realised gain on foreign exchange | 857 | - | 1,134 | - |
| Net unrealised gain on foreign exchange | - | 8,444 | 405 | 1,459 |
| Gain on disposal of property, plant and equipment | 207 | 15 | 226 | 15 |
| Reversal of impairment loss of trade receivables | 225 | 383 | 780 | 2,424 |

24. Derivatives

(a) Contract and fair value of derivatives

| | As at 30.06.2021 | | As at 31.12.2020 | |
|---------------------------------------|------------------|------------|------------------|------------|
| | 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 | 273,835 | 274,717 | - | - |
| - Future and option contracts | (11,055) | (9,733) | - | - |
| Derivative financial liability | | | | |
| <u>Less than 1 year</u> | | | | |
| - Foreign currency forward contracts | - | - | 316,715 | 309,993 |
| - Future and option contracts | - | - | (5,687) | (7,171) |

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Period Ended 30 June 2021

(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:

| | 6 months ended | |
|-------|----------------|------------|
| | Profit or loss | |
| | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 |
| Group | 13,505 | 9,326 |

(c) Liquidity risk

The contract values of the derivatives disclosed in Note 24(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.

25. Net gains and losses arising from financial instruments

| | 3 months ended | | 6 months ended | |
|--|----------------|------------|----------------|------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 | 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 | (5,172) | (9,671) | 7,604 | 2,573 |
| - future and option contracts | (6,198) | 1,422 | (9,045) | 1,600 |
| Financial assets at amortised cost | 9,364 | 9,580 | 18,877 | 17,663 |
| Financial liabilities measured at amortised cost | 3,044 | 8,396 | (13,774) | (19,991) |
| | 1,038 | 9,727 | 3,662 | 1,845 |

For the 6 months ending 30 June 2021, the net gain was mainly due to interest income, unrealised gain on future and option contracts and realised gain on foreign exchange but was partially offset by realised loss on future and option contracts and interest expenses on borrowings.

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

26. Comparative

| | 3 months ended 30.06.2020 | | 6 months ended 30.06.2020 | |
|---|---------------------------|-------------|---------------------------|-------------|
| | As previously reported | As restated | As previously reported | As restated |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 648,514 | 525,540 | 1,302,796 | 1,035,615 |
| Cost of goods sold | (609,257) | (473,852) | (1,206,960) | (930,103) |
| Operating expenses | (34,113) | (18,984) | (97,801) | (51,996) |
| Interest expense | (11,055) | (7,879) | (21,128) | (15,999) |
| Interest income | 5,827 | 9,945 | 10,512 | 19,263 |
| Net finance expenses | (5,228) | 2,066 | (10,616) | 3,264 |
| Profit/(Loss) before tax | 2,008 | 36,862 | (11,619) | 57,742 |
| Tax expense | (881) | (6,173) | (2,019) | (12,496) |
| Profit/(Loss) from discontinued operation | - | (29,562) | - | (58,884) |

| | 3 months ended 31.03.2021 | |
|---|---------------------------|-------------|
| | As previously reported | As restated |
| | RM'000 | RM'000 |
| Revenue | 708,774 | 535,556 |
| Cost of goods sold | (630,543) | (464,514) |
| Operating expenses | (51,144) | (23,288) |
| Interest expense | (7,767) | (5,149) |
| Interest income | 4,786 | 9,434 |
| Net finance expenses | (2,981) | 4,285 |
| Profit before tax | 28,155 | 56,166 |
| Tax expense | (6,446) | (10,693) |
| Profit/(Loss) from discontinued operation | - | (23,764) |

By Order of the Board

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

Kuala Lumpur
 20 August 2021