

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

	(Unaudited) As at 30.09.2021 RM '000	(Audited) As at 31.12.2020 RM '000
Assets		
Property, plant and equipment	428,656	1,090,278
Intangible assets	371	3,656
Investment properties	4,954	4,997
Right-of-use assets	10,810	30,420
Investments in joint ventures	21 585,671	164,738
Investment in an associate	1,057	1,050
Deferred tax assets	4,819	18,471
Other receivables	13 236,774	-
Total non-current assets	<u>1,273,112</u>	<u>1,313,610</u>
Trade and other receivables, including derivatives	338,591	380,323
Prepayments and other assets	3,257	4,467
Inventories	588,411	428,194
Biological assets	-	48,586
Current tax assets	3,579	2,195
Cash and cash equivalents	505,716	404,627
	<u>1,439,554</u>	<u>1,268,392</u>
Asset classified as held for sale	33,597	-
Total current assets	<u>1,473,151</u>	<u>1,268,392</u>
Total assets	<u>2,746,263</u>	<u>2,582,002</u>
Share capital	535,623	530,665
Reserves	619,685	457,715
RCULS - Equity component	78,179	82,479
Total equity attributable to owners of the Company	<u>1,233,487</u>	<u>1,070,859</u>
Non-controlling interests	<u>105,792</u>	<u>94,048</u>
Total equity	<u>1,339,279</u>	<u>1,164,907</u>
Liabilities		
Deferred tax liabilities	4,440	3,335
RCULS - Liability component	10,059	14,234
Lease liabilities	2,074	3,532
Loans and borrowings	177,535	227,428
Total non-current liabilities	<u>194,108</u>	<u>248,529</u>
RCULS - Liability component	4,657	5,087
Lease liabilities	1,763	2,063
Trade and other payables, including derivatives	114,627	220,335
Loans and borrowings	1,072,819	932,148
Current tax liabilities	19,010	8,933
Total current liabilities	<u>1,212,876</u>	<u>1,168,566</u>
Total liabilities	<u>1,406,984</u>	<u>1,417,095</u>
Total equity and liabilities	<u>2,746,263</u>	<u>2,582,002</u>
Net assets per share attributable to owners of the Company (RM)	1.21	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 September 2021

	Note	3 months ended		Financial Period Ended	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
		RM '000	RM '000	RM '000	RM '000
Continuing operations					
Revenue		620,519	505,403	1,732,247	1,541,018
Cost of goods sold		(549,363)	(460,625)	(1,520,742)	(1,390,728)
Gross profit		71,156	44,778	211,505	150,290
Operating expenses		(37,942)	(15,596)	(92,692)	(67,592)
Results from operating activities		33,214	29,182	118,813	82,698
Interest expense		(6,489)	(5,931)	(14,197)	(21,930)
Interest income		4,852	10,575	23,696	29,838
Net finance income/(expenses)		(1,637)	4,644	9,499	7,908
Share of loss of equity accounted joint ventures, net of tax		(13,941)	(5,714)	(20,374)	(4,742)
Share of loss of equity accounted associate, net of tax		(6)	(3)	(14)	(13)
Profit before tax		17,630	28,109	107,924	85,851
Tax expense	17	(7,865)	(6,348)	(26,044)	(18,844)
Profit from continuing operations		9,765	21,761	81,880	67,007
Discontinued operation arising from deconsolidation of subsidiaries					
Profit/(Loss) from discontinued operation, net of tax	18	-	(8,474)	85,773	(67,358)
Profit/(Loss) for the period		9,765	13,287	167,653	(351)
Profit/(Loss) attributable to:					
Owners of the Company					
- from continuing operations		3,914	17,882	64,111	55,499
- from discontinued operation		-	(8,474)	85,773	(67,358)
		3,914	9,408	149,884	(11,859)
Non-controlling interests		5,851	3,879	17,769	11,508
Profit/(Loss) for the period		9,765	13,287	167,653	(351)
Basic earnings/(loss) per ordinary share (sen)					
- from continuing operations	23	0.38	1.77	6.30	5.51
- from discontinued operation	23	-	(0.84)	8.43	(6.69)
Diluted earnings/(loss) per ordinary share (sen)					
- from continuing operations	23	0.31	1.47	4.73	4.57
- from discontinued operation	23	-	(0.68)	6.24	(5.45)

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 September 2021

	3 months ended		Financial Period Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM '000	RM '000	RM '000	RM '000
Profit/(Loss) for the period	9,765	13,287	167,653	(351)
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	12,525	(21,809)	26,624	(5,020)
Total comprehensive income for the period	22,290	(8,522)	194,277	(5,371)
Total comprehensive income/(expense) attributable to:				
Owners of the Company				
- from continuing operations	14,865	(2,041)	86,492	49,588
- from discontinued operation	-	(8,474)	85,773	(67,358)
Minority interests	7,425	1,993	22,012	12,399
Total comprehensive income for the period	22,290	(8,522)	194,277	(5,371)

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 September 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	-	-	-	-	22,381	149,884	172,265	22,012	194,277
Retained earnings reinvested as capital contribution in subsidiaries	-	-	-	52,182	-	(52,182)	-	-	-
Conversion of RCULS	4,245	(4,300)	-	-	-	-	(55)	-	(55)
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 30.9.2021	535,623	78,179	17,770	93,065	(31,209)	540,059	1,233,487	105,792	1,339,279

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 September 2021

	9 months ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit from continuing operations	107,924	85,851
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	24,188	22,346
Depreciation of right-of-use assets	1,797	1,333
Dividend income	(7)	(6)
Gain on disposal of property, plant and equipment	(226)	(8,887)
Gain on lease modification	-	(2)
Interest expense	14,197	21,930
Interest income	(23,696)	(29,838)
Property, plant and equipment and intangible assets written off	14	501
Share of loss of equity accounted joint ventures, net of tax	20,374	4,742
Share of loss of equity accounted associate, net of tax	14	13
Net unrealised gain on foreign exchange	(3,577)	(1,249)
Operating profit before changes in working capital	141,002	96,734
Inventories	(240,170)	19,925
Trade and other receivables, prepayments and other financial assets	(33,084)	(15,689)
Trade and other payables and other financial liabilities	(41,460)	(39,750)
Cash (used in)/ generated from operations	(173,712)	61,220
Net income tax paid	(19,554)	(13,747)
Interest received	23,696	29,838
Interest paid	(13,281)	(20,971)
Operating cash flow (used in)/generated from continuing operations	(182,851)	56,340
Operating cash flow (used in)/generated from discontinued operation	(69,680)	2,089
Net cash (used in)/generated from operating activities	(252,531)	58,429
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(30,267)	(12,572)
Dividend income	7	6
Increase in investment in a joint venture	-	(38,778)
Proceeds from disposal of property, plant and equipment	275	23,615
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	102,534	(27,729)
Investing cash flow used in discontinued operation	(5,753)	(43,359)
Net cash generated from/(used in) investing activities	96,781	(71,088)
Cash Flows From Financing Activities		
Dividends paid to owners of the Company	(10,181)	(18,133)
Dividends paid to non-controlling interests	(10,268)	(6,640)
Net proceeds from loans and borrowings	186,696	38,348
Payment of lease liabilities	(1,384)	(948)
RCULS coupon paid	(5,593)	(5,803)
Proceeds from issuance of shares pursuant to the exercise of the warrants	599	-
Financing cash flow generated from continuing operations	159,869	6,824
Financing cash flow generated from discontinued operation	75,049	28,713
Net cash generated from financing activities	234,918	35,537
Net increase in Cash and Cash Equivalents	79,168	22,878
Effect of exchange rate fluctuations on cash held	21,921	6,056
Cash and Cash Equivalents at Beginning of Year	404,627	330,753
Cash and Cash Equivalents at End of Financial Period	505,716	359,687

Cash and Cash Equivalents

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

	9 months ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Deposits placed with licensed banks	477,999	314,945
Cash and bank balances	21,474	25,652
Liquid investments	6,243	19,090
	505,716	359,687

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 quarter ended 30 June 2021, 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.

In the current quarter, 200,000 new ordinary shares were issued and allotted arising from the conversion of RM100,000 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 September 2021, the outstanding nominal value of RCULS is RM109,684,027.

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 quarter ended 30 June 2021, 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.

In the current quarter, there were no Warrants exercised.

As at 30 September 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 RM535,623,250 comprising 1,019,653,329 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 September 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 September 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

Corporate Guarantee for financing facilities under joint venture

The Company has provided proportionate corporate guarantees of up to USD15.0 million for financing facilities granted by financial institutions to the joint venture company, PT Bungasari Flour Mills Indonesia. As at 30 September 2021, the outstanding loans proportionately amounted to USD10.8 million.

Tax audit update for YA 2015-2017 VAT

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

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.

During the current quarter, a provision of RM15.0 million has been accounted for in the operating expenses for this Profit Guarantee Payment, in anticipation of latest management review of possible EBITDA achievement shortfall in this financial year end, mainly due to the prolonged COVID-19 effect to poultry industry and slower recovery in economic circumstances. The Management will continue to monitor the recovery progress in the coming quarters.

10. Capital Commitments

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Property, plant and equipment		
Contracted but not provided for	10,027	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).

On 11 October 2021, the Company incorporated Dindings Foods Sdn Bhd ("DFSB"). On the same date, DFSB became a wholly-owned subsidiary of DTSB. The issued and paid-up share capital of DFSB is RM1.00, represented by 1 ordinary share. The intended principal activity of DFSB is to manufacture processed broilers and further processed products in line with the strategic expansion plan.

12. Segmental Information

Results for 9 months ended 30 September 2021					
Continuing operations					
	Flour and grains trading	Aqua Feed Milling	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,704,230	40,677	-	-	1,744,907
Eliminations - inter-segment	(12,660)	-	-	-	(12,660)
Revenue	1,691,570	40,677	-	-	1,732,247
Results from operating activities	121,788	(2,880)	-	(95)	118,813
Interest expense					(14,197)
Interest income					23,696
Share of profit/(loss) of equity accounted joint ventures, net of tax	6,572	-	(26,946)	-	(20,374)
Share of loss of equity accounted associate, net of tax					(14)
Profit before tax					107,924
Profit from discontinued operation, net of tax					85,773
Segments assets	2,053,901	105,105	-	529	2,159,535
Investments in joint ventures	175,474	-	410,197	-	585,671
Investment in an associate	-	-	-	1,057	1,057
Total segment assets - continuing operations	2,229,375	105,105	410,197	1,586	2,746,263
Segment assets - discontinued operation					-
Results for 9 months ended 30 September 2021					
				Poultry Integration (DTSB Group)	
				RM'000	
Revenue					594,342
Results from operating activities					(102,093)
Interest expense					(14,927)
Interest income					379
Loss before tax from operation					(116,641)
Segments assets					965,773
Results for 9 months ended 30 September 2020					
Continuing operations					
	Flour and grains trading	Aqua Feed Milling	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,514,221	30,961	-	-	1,545,182
Eliminations - inter-segment	(4,164)	-	-	-	(4,164)
Revenue	1,510,057	30,961	-	-	1,541,018
Results from operating activities	84,505	(1,702)	-	(105)	82,698
Interest expense					(21,930)
Interest income					29,838
Share of loss of equity accounted joint venture, net of tax	(4,742)	-	-	-	(4,742)
Share of loss of equity accounted associate, net of tax					(13)
Profit before tax					85,851
Loss from discontinued operation, net of tax					(67,358)
Segments assets	1,382,871	99,893	-	857	1,483,621
Investment in a joint venture	155,164	-	-	-	155,164
Investment in an associate	-	-	-	1,069	1,069
Total segment assets - continuing operations	1,538,035	99,893	-	1,926	1,639,854
Segment assets - discontinued operation					942,702
Results for 9 months ended 30 September 2020					
				Poultry Integration (DTSB Group)	
				RM'000	
Revenue					516,730
Results from operating activities					(53,086)
Interest expense					(22,892)
Interest income					475
Loss before tax from operation					(75,503)
Segments assets					942,702

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

13. Performance Review

Financial review for current quarter was as follows:

Continuing operations

	3 months ended		Changes	Financial Period Ended		Changes
	30.09.2021	30.09.2020		30.09.2021	30.09.2020	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	620,519	505,403	22.8%	1,732,247	1,541,018	12.4%
Results from operating activities	33,214	29,182	13.8%	118,813	82,698	43.7%
Profit before tax	17,630	28,109	(37.3%)	107,924	85,851	25.7%
Profit after tax	9,765	21,761	(55.1%)	81,880	67,007	22.2%
Profit attributable to owners of the Company	3,914	17,882	(78.1%)	64,111	55,499	15.5%

In the financial periods prior to the quarter ended 30 June 2021 (Q2 2021), 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 in Q2 2021. Hence, a new operating segment consisting of the Group's aqua feed milling business have since been identified and reported. The comparatives for the operating segments have thus been restated to reflect the new operating segment.

Review of Quarter-on-Quarter results

For the quarter ended 30 September 2021 (Q3 2021), the Group recorded a revenue of RM620.5 million, an increase of 22.8% from RM505.4 million registered in the same quarter ended 30 September 2020 (Q3 2020). This was attributed to higher sales recorded in both the flour and grains trading and aqua feed milling segments which increased by 22.3% and 42.6% respectively.

The Group recorded an operating profit of RM33.2 million in Q3 2021 as compared to an operating profit of RM29.2 million in Q3 2020, attributable to improvement in the flour and grains trading segment. Flour and grains trading segment recorded a higher operating profit of RM34.0 million in Q3 2021 as compared to an operating profit of RM29.4 million in Q3 2020. Meanwhile, aqua feed milling segment's operating loss widened slightly to RM0.7 million in Q3 2021 from an operating loss of RM0.1 million in the same quarter last year, mainly due to margin suppression from increase in raw material costs as well as lower sales due to interruption to supply chain and drop in demand for HORECA industry following stricter MCO 3.0 directive. The Group's share of loss in equity accounted joint ventures in Q3 2021 amounted to RM13.9 million as compared to a share of loss of RM5.7 million in Q3 2020. Consequently, the Group recorded a lower profit before tax (PBT) of RM17.6 million in Q3 2021 as compared to a PBT of RM28.1 million in Q3 2020. The main factors were as follows:-

- (i) Flour and grains trading segment's operating profit grew by 15.7% from that of Q3 2020, primarily due to better margin in the flour business amidst the higher flour and by-product selling prices and stronger demand which compensated for the higher wheat costs and higher operating expenses in Q3 2021. The higher operating expenses incurred in Q3 2021 was mainly as a result of a provision of RM15.0 million being accounted for in Q3 2021 for the Profit Guarantee Payment (as mentioned in Note 9(b)) coupled with a net gain on disposal of land in Q3 2020 amounting to RM8.5 million.

On the contrary, despite the higher grains selling price, grains trading business recorded an operating loss in Q3 2021 due to lower demand and higher commodity costs as well as higher impairment of trade receivables. In the flour and grains trading segment, the net realised and unrealised gain on commodity futures and options in Q3 2021 amounted to RM3.7 million as compared to a gain of RM1.8 million in Q3 2020 whereas net realised and unrealised gain on foreign exchange in Q3 2021 amounted to RM3.1 million as compared to a loss of RM0.4 million in Q3 2020; and

- (ii) The aqua feed milling segment's operating loss widened from RM0.1 million in Q3 2020 to RM0.7 million in Q3 2021, mainly due to margin suppression from increase in raw material costs as well as lower sales due to interruption to supply chain and drop in demand for HORECA industry following stricter MCO 3.0 directive; and
- (iii) A net interest expense of RM1.6 million was incurred in Q3 2021 as compared to a net interest income of RM4.6 million in Q3 2020. The fluctuation was mainly due to the restated interest income in Q3 2020 to reflect the discontinued operation of DTSB Group as explained in Note 18. The Company's interest income derived from DTSB Group in Q3 2020 is now being presented as an intra-group transaction between the continuing operations and the discontinued operation; and
- (iv) In Q3 2021, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM2.8 million as compared to a share of loss of RM5.7 million in Q3 2020. The joint venture registered higher revenue attributable to healthy growth in sales volume and higher selling prices in Q3 2021, which partially negated the increase in wheat costs. In addition, the IDR strengthened slightly against the USD in Q3 2021, unlike the significant foreign exchange loss in Q3 2020 when IDR weakened against the USD then;
- (v) As stated in Note 18, the Company disposed 49% equity interest in DTSB Group on 31 May 2021, hence 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 the 3 months' period of Q3 2021, DTSB Group generated a revenue of RM186.1 million and incurred a loss after tax of RM32.8 million. Consequently, the Group's share of loss of this equity accounted joint venture at 51% amounted to RM16.7 million in Q3 2021. In Q3 2020, a loss after tax of RM8.5 million was recorded. The higher losses in Q3 2021 were attributable to key factors below:-

- a) With the announcement of the National Recovery Plan on 15 June 2021 which contained a four-phase exit strategy to transition out of the pandemic coupled with the high full vaccination progress, we see gradual opening of economic sectors as well as permissible dine-in options in various states has slightly improved economic conditions towards end of Q3 2021. Consequently, the poultry processed products segment recorded higher sales volume in Q3 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 Q3 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) In spite of the higher live birds prices in Q3 2021 as compared to that of Q3 2020, the business suffered losses as a result of higher costs in Q3 2021; and
- c) A higher fair value loss on biological assets was recorded in Q3 2021, amounting to RM10.3 million as compared to a fair value gain of RM8.0 million in Q3 2020; and
- d) Deferred tax income of RM10.4 million was accounted for in Q3 2021 mainly arising from the unabsorbed tax losses and utilised capital allowances during the quarter as compared to a deferred tax expense of RM2.3 million recorded in Q3 2020.

13. Performance Review (continued)

Review of Year-on-Year results

Revenue increased by 12.4% to RM1,732.2 million for the financial period ended 30 September 2021 as compared to RM1,541.0 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 12.0% and 31.4% respectively.

The Group recorded an operating profit of RM118.8 million in the financial period ended 30 September 2021 as compared to an operating profit of RM82.7 million in the same period in the preceding year. Flour and grains trading segment's operating profit surged to RM121.8 million in the financial period ended 30 September 2021 on the back of higher sales as compared to an operating profit of RM84.5 million in the preceding year. Aqua feed milling's operating loss widened from RM1.7 million in the same period in the preceding year to RM2.9 million in the financial period ended 30 September 2021. The Group's share of loss in equity accounted joint ventures in the financial period ended 30 September 2021 amounted to RM20.4 million as compared to a share of loss of RM4.7 million in the same period in the preceding year. Consequently, the Group recorded a higher profit before tax (PBT) of RM107.9 million in the financial period ended 30 September 2021 as compared to a PBT of RM85.9 million in the period in the preceding year. This was attributable to:-

- (i) Flour and grains trading segment's operating profit surged by 44.1% from that of the preceding year, primarily due to favourable margin arising from the higher flour and by-product selling prices and stronger demand which compensated for the higher wheat costs and higher operating expenses in 2021. The higher operating expenses incurred in the financial period ended 30 September 2021 was mainly arising from a provision of RM15.0 million being accounted for in 2021 for the Profit Guarantee Payment (as mentioned in Note 9(b)), higher professional fee incurred in relation to the strategic partnership with Tyson amounting to RM9.4 million as well as a net gain on disposal of land in 2020 amounting to RM8.5 million.

On the contrary, grains trading business recorded an operating loss in the financial period ended 30 September 2021 as a result of lower demand and higher commodity costs which negated the higher grains selling price. In the flour and grains trading segment, the net realised and unrealised loss on commodity futures and options in the financial period ended 30 September 2021 amounted to RM5.3 million as compared to a gain of RM3.4 million in the preceding year whereas net realised and unrealised gain on foreign exchange in the financial period ended 30 September 2021 amounted to RM4.6 million as compared to a loss of RM1.8 million in the preceding year; and

- (ii) The aqua feed milling segment recorded an operating loss of RM2.9 million in the financial period ended 30 September 2021, attributed to lower margin as a result of higher raw material costs; and
- (iii) Higher net interest income was recorded in the financial period ended 30 September 2021 as compared to that of the same period in the preceding year; and
- (iv) In the financial period ended 30 September 2021, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM6.6 million as compared to a share of loss of RM4.7 million in the preceding year. The higher sales volume coupled with better margins contributed to the positive results in the financial period ended 30 September 2021; and
- (v) In the months from June till September 2021, DTSB Group generated a revenue of RM241.8 million and recorded a loss after tax of RM52.8 million. Consequently, arising from the deconsolidation of DTSB Group on 31 May 2021, the Group's share of loss of this equity accounted joint venture at 51% amounted to RM26.9 million in the financial period ended 30 September 2021.

In the 9 months' financial period ended 30 September 2021, DTSB Group generated a revenue of RM594.3 million and incurred a loss after tax of RM93.2 million as compared to a loss after tax of RM67.4 million in the same period of the preceding year. The higher losses in the financial period ended 30 September 2021 were attributable to key factors below:-

- a) The poultry processed product category recorded higher sales volume in the financial period ended 30 September 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 spite of the higher live birds prices in the financial period ended 30 September 2021 as compared to that of the same period in 2020, the business suffered losses as a result of higher costs in 2021. 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 September 2021; and
- d) A significant fair value loss on biological assets amounting to RM34.9 million was recorded in the financial period ended 30 September 2021 as compared to a fair value gain of RM2.6 million in the preceding year; and
- e) Deferred tax income of RM23.4 million was accounted for in the financial period ended 30 September 2021 mainly arising from the unabsorbed tax losses and unutilised capital allowances during the period as compared to a deferred tax income of RM8.1 million recorded in the preceding year.

Discontinued operation arising from deconsolidation of subsidiaries

	3 months ended		Changes	Financial Period Ended		Changes
	30.09.2021	30.09.2020		30.09.2021	30.09.2020	
	RM'000	RM'000	%	RM'000	RM'000	%
Profit/(Loss) from discontinued operation, net of tax	-	(8,474)	100.0%	85,773	(67,358)	227.3%

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, amounting to a loss of RM40.4 million were presented and disclosed as discontinued operation arising from deconsolidation of subsidiaries. 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) During the 5 months' 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 RM67.4 million in the 9 months' period ended 30 September 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. There was a fair value loss on biological assets of RM6.8 million accounted for in the 5 months ended 31 May 2021 as compared to a fair value gain of RM2.6 million in the financial period ended 30 September 2020.
- b) 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 30.09.2021	Immediate Preceding Quarter 30.06.2021	Changes
	RM'000	RM'000	%
Revenue	620,519	576,172	7.7%
Results from operating activities	33,214	37,767	(12.1%)
Profit before tax	17,630	34,128	(48.3%)
Profit after tax	9,765	26,642	(63.3%)
Profit attributable to owners of the Company	3,914	18,775	(79.2%)

Revenue increased by 7.7% in Q3 2021 as compared to that of Q2 2021. Flour and grains trading segment recorded higher sales by 7.2% whilst the aqua feed milling segment registered higher sales by 31.1% in Q3 2021.

Flour and grains trading segment's operating profit declined by 13.3%, from RM39.2 million in Q2 2021 to RM34.0 million in Q3 2021, mainly resulting from the losses incurred in the grains trading business as a result of lower demand and higher commodity costs in spite of the higher grains selling price in Q3 2021. Profits generated from favourable flour margin arising from stronger flour demand and higher flour and by-product selling prices partially compensated for the higher wheat costs in Q3 2021. There was a provision of RM15.0 million being accounted for in Q3 2021 for the Profit Guarantee Payment (as mentioned in Note 9(b)), whilst there was higher professional fee incurred in Q2 2021 in relation to the strategic partnership with Tyson amounting to RM9.4 million. In Q3 2021, the net realised and unrealised gain on commodity futures and options amounted to RM3.7 million as compared to a loss of RM6.2 million in Q2 2021 whereas net realised and unrealised gain on foreign exchange in Q3 2021 amounted to RM3.1 million as compared to a gain of RM0.4 million in Q2 2021.

The aqua feed milling segment's operating loss narrowed to RM0.7 million in Q3 2021 from a loss of RM1.4 million in Q2 2021, attributed to better margin as a result of lower raw material costs.

Our equity accounted joint venture, PT Bungasari Flour Mills Indonesia recorded a share of profit of RM2.8 million in Q3 2021 as compared to a share of loss of RM0.3 million in Q2 2021. The profit in Q3 2021 was mainly attributable to the higher sales volume and margin. The IDR continued to strengthen against the USD in Q3 2021.

As for the equity accounted joint venture, DTSB Group, the Group's share of loss amounted to RM16.7 million in Q3 2021 as compared to a share of loss in June 2021 which amounted to RM10.2 million.

In the 3 months' period of Q2 2021, DTSB Group incurred a loss after tax of RM36.6 million. The losses narrowed to RM32.8 million in Q3 2021 as the lower margins arising from higher costs in Q3 2021 were offset by the lower fair value loss on biological assets which decreased from a loss of RM17.8 million in Q2 2021 to a loss of RM10.3 million in Q3 2021. Deferred tax income of RM10.4 million was recorded in Q3 2021 as compared to a deferred tax income of RM8.7 million in Q2 2021.

Discontinued operation arising from deconsolidation of subsidiaries

	3 months ended 30.09.2021	Immediate Preceding Quarter 31.05.2021	Changes
	RM'000	RM'000	%
Profit from discontinued operation, net of tax	-	109,537	(100.0%)

In April and May 2021, profit from discontinued operation amounted to RM109.5 million, 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. The disposal of 49% equity interest to Tyson was completed on 31 May 2021.

15. Prospects

The Board is concerned with the Group's performance for 2021, in particular, the performance of the Flour and Poultry business in Malaysia.

a. Poultry Industry

Since March 2020, the poultry industry has experienced three unprecedented consecutive perfect storms:

- the disruption in demand caused by the MCO from March 2020 and continuing.
- the unprecedented surge in the price of corn, soymeal, ocean freight and crude oil prices since October 2020 and is expected to continue unabated till third quarter of 2022.
- the unexpected emergence of Low Pathogenic Avian Influenza (LPAI) and Newcastle Disease since July 2021 have further curtailed the supply of commercial day-old-chicks.

Arising from the above, the poultry industry had suffered tremendous losses and it needs to be resuscitated to ensure the Food Security of the Nation is restored.

However, with the partnership with Tyson International Holding Company since end May 2021 and the improved economic prospect for 2022 due to the herd immunity arising from high and full vaccination rate in the nation, DTSB (the joint venture company) is optimistic of its outlook for 2022 and beyond.

b. Flour Industry

As of November 2021, price of wheat increased by 63% since October 2020. The Company has been working closely with the Ministry of Domestic Trade and Consumer Affairs (MDTCA) since March 2021 to adjust the price of subsidized and non-subsidized flour. We hope to receive positive response from the Ministry to allow us to adjust the price by December 2021 and beyond.

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

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

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17. Income Tax Expense/(Credit)

Continuing operations

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	10,232	4,560	28,996	16,210
- prior year	(1,379)	61	(1,373)	45
Deferred tax				
- Origination and reversal of temporary difference	(988)	1,727	(1,654)	1,494
- Under provision in prior year	-	-	75	1,095
	7,865	6,348	26,044	18,844

Excluding the share of loss in equity accounted joint ventures, the Group's effective tax rate during the quarter ended 30 September 2021 is higher than the Malaysia statutory tax rate of 24% mainly due to losses incurred but was partially offset by tax incentives and lower tax rates in Vietnam.

Discontinued operation arising from deconsolidation of subsidiaries

	3 months ended	5 months ended	9 months ended
	30.09.2020	-	30.09.2020
	RM'000	RM'000	RM'000
Deferred tax (income)/expense	2,332	(4,247)	(8,145)

The deferred tax income/expense originated mainly from timing differences on unabsorbed tax losses, unutilised capital allowances and fair value on biological assets provision.

18. Discontinued Operation 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, after the disposal of 49% equity interest in DTSB on 31 May 2021, 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:

	3 months ended	5 months ended	9 months ended
	30.09.2020	31.05.2021	30.09.2020
	RM '000	RM '000	RM '000
Revenue	182,820	352,116	516,730
Cost of goods sold	(172,526)	(340,549)	(517,490)
Gross profit	10,294	11,567	(760)
Operating expenses	(7,898)	(43,073)	(52,326)
	2,396	(31,506)	(53,086)
Interest expense	(8,697)	(13,360)	(22,892)
Interest income	159	201	475
Net finance expenses	(8,538)	(13,159)	(22,417)
Loss before tax from discontinued operation	(6,142)	(44,665)	(75,503)
Deferred tax income/(expense)	(2,332)	4,247	8,145
Loss for the financial period from discontinued operation	(8,474)	(40,418)	(67,358)
Gain on deconsolidation of subsidiaries	-	126,191	-
Profit/(Loss) from discontinued operation	(8,474)	85,773	(67,358)

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

	Financial Period Ended	
	31.05.2021	30.09.2020
	RM '000	RM '000
Net cash (used in)/generated from operating activities	(69,680)	2,089
Net cash used in investing activities	(5,753)	(43,359)
Net cash generated from financing activities	75,049	28,713
Effect on cash flows	(384)	(12,557)

18. Discontinued Operation 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	<u>1,005,827</u>
Lease liabilities	3,380
Loans and borrowings	191,228
Trade and other payables, including derivatives	80,267
Current tax liabilities	-
Total liabilities	<u>274,875</u>
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	<u>(126,191)</u>

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.

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 11 November 2021, the latest practicable date which is not earlier than seven (7) days from the date of this report.

(b) Status of utilisation of proceeds from the disposal consideration derived from the disposal of 49% equity interest in DTSB to Tyson

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.

On 22 October 2021, the Company received an additional amount of RM1,718,312 from Tyson arising from Post-Completion Adjustments. The Post-Completion Adjustments, together with the Initial Consideration received on 1 June 2021 of RM183,225,964, forms the aggregate Initial Consideration in connection with the SPA of RM184,944,276.

- 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:

Purpose	Proposed Utilisation RM' million	As at 30 September 2021		Timeframe for Utilisation	Deviation Over spent	
		Actual Utilisation RM' million	Balance Unutilised 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. On 26 October 2021, an announcement was made to Bursa Malaysia to revise the proposed utilisation of the Initial Consideration from RM126.0 million to RM171.0 million for the purpose of repayment of bank borrowings.

(c) Status of utilisation proceeds from the Rights Issue

The status of the utilisation of proceeds from the Rights Issue is as follows:

Purpose	Proposed Utilisation RM' million	As at 30 September 2021		Revised Timeframe for Utilisation	Deviation Over spent	
		Actual Utilisation RM' million	Balance Unutilised RM' million		RM' million	%
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	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.

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20. Group's Borrowings and Debt Securities

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

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	169,550	227,428
Denominated in Vietnamese Dong (ii)	7,985	-
	<u>177,535</u>	<u>227,428</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	262,556	310,733
Denominated in US Dollar (i)	683,585	495,507
Denominated in Vietnamese Dong (ii)	81,118	79,058
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,560	46,850
	<u>1,072,819</u>	<u>932,148</u>

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

- (i) Denominated in USD of RM683,585,000 equivalent to USD163,264,000 translated at USD/MYR rate of 4.1870 (2020: RM495,507,000 equivalent to USD123,352,000 translated at USD/MYR rate of 4.0170); and
(ii) Denominated in VND of RM89,103,000 equivalent to VND486,267 million translated at VND/MYR rate of 5,457 (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 September 2021 were as follows:

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
RCULS - Liability component		
Non-current	10,059	14,234
Current	4,657	5,087
	<u>14,716</u>	<u>19,321</u>

21. Investments in joint ventures

	<u>PT Bungasari Flour Mills Indonesia</u> 30%	DTSB Group 51%	As at 30.09.2021 RM'000
<i>Percentage of ownership interest</i>			
At cost	RM'000	RM'000	RM'000
Unquoted shares	192,865	437,143	630,008
Share of post-acquisition reserves	(17,391)	(26,946)	(44,337)
	<u>175,474</u>	<u>410,197</u>	<u>585,671</u>
As at 31.12.2020 RM'000			
At cost	RM'000		RM'000
Unquoted shares	192,865		192,865
Share of post-acquisition reserves	(28,127)		(28,127)
	<u>164,738</u>		<u>164,738</u>

22. 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 was fixed on 7 October 2021. On 7 October 2021, the High Court fixed the matter for further clarification/decision on 29 October 2021. On 29 October 2021, the High Court fixed the matter for further clarification/decision on 30 November 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 Discovery, Inspection & Submission of Documents 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.

23. Earnings Per Share ("EPS")

(a) Basic Earnings Per Ordinary Share

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

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company				
- continuing operations	3,914	17,882	64,111	55,499
- discontinued operation	-	(8,474)	85,773	(67,358)
	<u>3,914</u>	<u>9,408</u>	<u>149,884</u>	<u>(11,859)</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,519	1,008,605	1,017,651	1,007,023
Basic earnings/(loss) per ordinary share (sen)				
- continuing operations	0.38	1.77	6.30	5.51
- discontinued operation	-	(0.84)	8.43	(6.69)
	<u>0.38</u>	<u>0.93</u>	<u>14.73</u>	<u>(1.18)</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		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company				
- continuing operations	3,914	17,882	64,111	55,499
Interest expense on RCULS, net of tax	305	318	916	959
	<u>4,219</u>	<u>18,200</u>	<u>65,027</u>	<u>56,458</u>
- discontinued operation	-	(8,474)	85,773	(67,358)
	<u>4,219</u>	<u>9,726</u>	<u>150,800</u>	<u>(10,900)</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,519	1,008,605	1,017,651	1,007,023
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	219,368	229,152	219,368	229,152
- Assumed exercise of Warrants	136,688	-	136,688	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	<u>1,375,575</u>	<u>1,237,757</u>	<u>1,373,707</u>	<u>1,236,175</u>
Diluted earnings/(loss) per ordinary share (sen)				
- continuing operations	0.31	1.47	4.73	4.57
- discontinued operation	-	(0.68)	6.24	(5.45)
	<u>0.31</u>	<u>0.79</u>	<u>10.98</u>	<u>(0.88)</u>

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24. Profit/(Loss) for the period

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	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	8,629	5,918	24,188	22,346
Depreciation of right-of-use assets	599	396	1,797	1,333
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	6,489	5,931	14,197	21,930
Net realised loss on future and option contracts	-	652	7,419	-
Net unrealised loss on future and option contracts	711	-	-	-
Net realised loss on foreign exchange	120	182	-	3,060
Net unrealised loss on foreign exchange	-	210	-	-
Property, plant and equipment written off	-	453	14	501
Impairment loss of trade receivables	1,599	800	2,346	4,824
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	4,767	10,511	23,525	29,659
- debtors	85	64	171	179
Bad debts recovered	-	4	-	8
Insurance recoveries	(20)	1,119	58	1,353
Net realised gain on future and option contracts	4,433	-	-	245
Net unrealised gain on future and option contracts	-	2,420	2,095	3,123
Net realised gain on foreign exchange	-	-	1,014	-
Net unrealised gain on foreign exchange	3,172	-	3,577	1,249
Gain on disposal of property, plant and equipment	-	8,872	226	8,887
Reversal of impairment loss of trade receivables	174	2,404	954	4,828

25. Derivatives

(a) Contract and fair value of derivatives

	As at 30.09.2021		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	224,446	224,511	-	-
- Future and option contracts	(25,493)	(24,836)	-	-
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	91,482	91,237	316,715	309,993
- Future and option contracts	46	-	(5,687)	(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:

	9 months ended	
	Profit or loss	
	30.09.2021	30.09.2020
	RM'000	RM'000
Group	13,971	10,551

(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.

26. Net gains and losses arising from financial instruments

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	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	(1,062)	1,078	6,542	3,651
- future and option contracts	3,721	1,768	(5,324)	3,368
Financial assets at amortised cost	3,427	(2,689)	22,304	14,974
Financial liabilities measured at amortised cost	(2,374)	7,467	(16,148)	(12,524)
	3,712	7,624	7,374	9,469

For the 9 months ending 30 September 2021, the net gain was mainly due to interest income, unrealised gain on future and option contracts and realised and unrealised 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.

27. Comparative

	3 months ended 30.09.2020		9 months ended 30.09.2020	
	As previously reported	As restated	As previously reported	As restated
	RM'000	RM'000	RM'000	RM'000
Revenue	665,860	505,403	1,968,656	1,541,018
Cost of goods sold	(609,947)	(460,625)	(1,816,907)	(1,390,728)
Operating expenses	(23,618)	(15,596)	(121,419)	(67,592)
Interest expense	(8,826)	(5,931)	(29,954)	(21,930)
Interest income	4,933	10,575	15,445	29,838
Net finance (expenses)/income	(3,893)	4,644	(14,509)	7,908
Profit/(Loss) before tax	22,685	28,109	11,066	85,851
Tax expense	(9,398)	(6,348)	(11,417)	(18,844)
Profit/(Loss) from discontinued operation	-	(8,474)	-	(67,358)

By Order of the Board

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

Kuala Lumpur
 17 November 2021