

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

	(Unaudited) As at 31.12.2021 RM '000	(Audited) As at 31.12.2020 RM '000
Assets		
Property, plant and equipment	436,379	1,090,278
Intangible assets	341	3,656
Investment properties	4,940	4,997
Right-of-use assets	21,731	30,420
Investments in joint ventures	21 629,217	164,738
Investment in an associate	1,052	1,050
Deferred tax assets	6,730	18,471
Other receivables	13 182,217	-
Total non-current assets	<u>1,282,607</u>	<u>1,313,610</u>
Trade and other receivables, including derivatives	381,590	380,323
Prepayments and other assets	1,661	4,467
Inventories	494,000	428,194
Biological assets	-	48,586
Current tax assets	3,612	2,195
Cash and cash equivalents	534,529	404,627
	<u>1,415,392</u>	<u>1,268,392</u>
Asset classified as held for sale	33,597	-
Total current assets	<u>1,448,989</u>	<u>1,268,392</u>
Total assets	<u>2,731,596</u>	<u>2,582,002</u>
Share capital	535,623	530,665
Reserves	640,512	457,715
RCULS - Equity component	78,179	82,479
Total equity attributable to owners of the Company	<u>1,254,314</u>	<u>1,070,859</u>
Non-controlling interests	<u>96,242</u>	<u>94,048</u>
Total equity	<u>1,350,556</u>	<u>1,164,907</u>
Liabilities		
Deferred tax liabilities	5,879	3,335
RCULS - Liability component	7,310	14,234
Lease liabilities	13,460	3,532
Loans and borrowings	172,838	227,428
Total non-current liabilities	<u>199,487</u>	<u>248,529</u>
RCULS - Liability component	4,657	5,087
Lease liabilities	1,573	2,063
Trade and other payables, including derivatives	127,046	220,335
Loans and borrowings	1,039,274	932,148
Current tax liabilities	9,003	8,933
Total current liabilities	<u>1,181,553</u>	<u>1,168,566</u>
Total liabilities	<u>1,381,040</u>	<u>1,417,095</u>
Total equity and liabilities	<u>2,731,596</u>	<u>2,582,002</u>
Net assets per share attributable to owners of the Company (RM)	1.23	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 year ended 31 December 2021

	Note	3 months ended		Financial Year Ended	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
		RM '000	RM '000	RM '000	RM '000
Continuing operations					
Revenue		694,689	577,931	2,426,936	2,118,949
Cost of goods sold		(620,234)	(514,687)	(2,140,976)	(1,905,415)
Gross profit		74,455	63,244	285,960	213,534
Operating expenses		(25,016)	(25,881)	(102,708)	(93,473)
Results from operating activities		49,439	37,363	183,252	120,061
Interest expense		(6,620)	(4,804)	(20,817)	(26,734)
Interest income		5,938	9,552	29,634	39,390
Net finance income/(expenses)		(682)	4,748	8,817	12,656
Profit from operations before fair value loss arising from remeasurement of contingent receivable and provision for Profit Guarantee Payment		48,757	42,111	192,069	132,717
Fair value loss arising from remeasurement of contingent receivable (Note 13)		(77,867)	-	(77,867)	-
Provision for Profit Guarantee Payment (Note 13)		-	-	(15,000)	-
Share of profit/(loss) of equity accounted joint ventures, net of tax		18,092	5,709	(2,282)	967
Share of loss of equity accounted associate, net of tax		(2)	(3)	(16)	(16)
Profit/(Loss) before tax		(11,020)	47,817	96,904	133,668
Tax expense	17	(9,837)	(5,817)	(35,881)	(24,661)
Profit/(Loss) from continuing operations		(20,857)	42,000	61,023	109,007
Discontinued operations arising from deconsolidation of subsidiaries					
Profit/(Loss) from discontinued operations, net of tax	18	51,746	(21,065)	137,519	(88,423)
Profit for the period		30,889	20,935	198,542	20,584
Profit/(Loss) attributable to:					
Owners of the Company					
- from continuing operations		(27,721)	38,337	36,390	93,836
- from discontinued operations		51,746	(21,065)	137,519	(88,423)
		24,025	17,272	173,909	5,413
Non-controlling interests		6,864	3,663	24,633	15,171
Profit for the period		30,889	20,935	198,542	20,584
Basic earnings/(loss) per ordinary share (sen)					
- from continuing operations	23	(2.72)	3.80	3.57	9.31
- from discontinued operations	23	5.07	(2.09)	13.51	(8.78)
- from continuing operations (adjusted) *	23	4.92	3.80	12.70	9.31
Diluted earnings/(loss) per ordinary share (sen)					
- from continuing operations	23	(2.02)	3.12	2.71	7.70
- from discontinued operations	23	3.76	(1.70)	10.01	(7.16)
- from continuing operations (adjusted) *	23	3.65	3.12	9.47	7.70

* The adjusted basic and diluted earnings per share exclude the fair value loss arising from remeasurement of contingent receivable and provision for Profit Guarantee Payment in the quarter and financial year ended 31 December 2021.

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

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	3 months ended		Financial Year Ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM '000	RM '000	RM '000	RM '000
Profit for the period	30,889	20,935	198,542	20,584
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(3,786)	(6,993)	22,838	(12,013)
Total comprehensive income for the period	27,103	13,942	221,380	8,571
Total comprehensive income/(expense) attributable to:				
Owners of the Company				
- from continuing operations	(30,919)	33,404	55,573	82,992
- from discontinued operations	51,746	(21,065)	137,519	(88,423)
Minority interests	20,827	12,339	193,092	(5,431)
Total comprehensive income for the period	6,276	1,603	28,288	14,002
Total comprehensive income for the period	27,103	13,942	221,380	8,571

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 year ended 31 December 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	-	-	-	-	19,183	173,909	193,092	28,288	221,380
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	-	-	-	-	-	-	-	(26,094)	(26,094)
Balance at 31.12.2021	535,623	78,179	17,770	93,065	(34,407)	564,084	1,254,314	96,242	1,350,556

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 year ended 31 December 2021

	12 months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before tax from :		
- continuing operations	96,904	133,668
- discontinued operations	(40,992)	(97,641)
	<u>55,912</u>	<u>36,027</u>
Adjustments for:		
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets	48,882	68,466
Depreciation of right-of-use assets	3,075	3,202
Fair value loss arising from remeasurement of contingent receivable	77,867	-
Provision for Profit Guarantee Payment	15,000	-
Dividend income	(7)	(6)
Gain on disposal of property, plant and equipment	(230)	(8,305)
Gain on lease modification	(134)	-
Interest expense	25,238	37,293
Interest income	(20,896)	(20,022)
Property, plant and equipment and intangible assets written off	691	724
Share of profit/(loss) of equity accounted joint ventures, net of tax	2,282	(967)
Share of loss of equity accounted associate, net of tax	16	16
Net unrealised loss/(gain) on foreign exchange	128	(2)
Operating profit before changes in working capital	<u>207,824</u>	<u>116,426</u>
Inventories	(192,735)	78,775
Biological assets	(365)	8,274
Trade and other receivables, prepayments and other financial assets	(92,338)	12,565
Trade and other payables and other financial liabilities	(52,415)	28,305
Cash (used in)/ generated from operations	<u>(130,029)</u>	<u>244,345</u>
Net income tax paid	(39,787)	(23,127)
Interest received	20,896	20,022
Interest paid	(24,322)	(36,018)
Net cash (used in)/generated from operating activities	<u>(173,242)</u>	<u>205,222</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment and intangible assets	(47,718)	(72,744)
Dividend income	7	6
Increase in investment in a joint venture	-	(38,779)
Proceeds from disposal of property, plant and equipment	424	23,127
Proceeds from disposal of stake in subsidiaries	184,944	-
Net cash outflow from deconsolidation of subsidiaries	(50,707)	-
Net cash generated from/(used in) investing activities	<u>86,950</u>	<u>(88,390)</u>
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	225,281	(4,600)
Payment of lease liabilities	(1,957)	(2,249)
RCULS coupon paid	(5,593)	(5,803)
Proceeds from issuance of shares pursuant to the exercise of the warrants	599	-
Net cash generated from/(used in) financing activities	<u>197,881</u>	<u>(37,425)</u>
Net increase in Cash and Cash Equivalents	111,589	79,407
Effect of exchange rate fluctuations on cash held	18,313	(5,533)
Cash and Cash Equivalents at Beginning of Year	<u>404,627</u>	<u>330,753</u>
Cash and Cash Equivalents at End of Financial Period	<u><u>534,529</u></u>	<u><u>404,627</u></u>

Cash and Cash Equivalents

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

	12 months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Deposits placed with licensed banks	438,814	344,207
Cash and bank balances	89,584	38,013
Liquid investments	6,131	22,407
	<u>534,529</u>	<u>404,627</u>

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 year under review.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows because of their nature, size or incidence for the financial year-to-date.

5. Changes in Estimates

There were no changes in estimates that have had any material effect on the financial year-to-date results.

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 quarter ended 30 September 2021, 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.

In the current quarter, there was no conversion of RCULS and hence, no new ordinary shares were issued.

As at 31 December 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 31 December 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 year ending 31 December 2021.

MALAYAN FLOUR MILLS BERHAD (196101000210 (4260-M))
Notes to the Financial Report for the Financial Year Ended 31 December 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 Board has declared an interim dividend of 2.0 sen per ordinary share for the current financial year ended 31 December 2021. The dividend will be paid on 25 March 2022 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 March 2022.

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

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 31 December 2021, the outstanding loans proportionately amounted to USD11.4 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. In February 2022, the Supreme Court ruled in favour of PT Bungasari for the judicial review of VAT year 2016. Hence, the year 2016 case is officially closed. A similar decision for VAT year 2015 judicial review is expected soon.

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. Based on the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this VAT year 2017 assessment as well as the court decision for years 2015 and 2016 which are in favour of PT Bungasari, the Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities of VAT year 2017. The sum of RM0.9 million paid was in accordance to PT Bungasari's VAT calculation basis.

10. Capital Commitments

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Property, plant and equipment		
Contracted but not provided for	8,801	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.

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

12. Segmental Information

	Results for 12 months ended 31 December 2021			
	Continuing operations			
	Flour and grains trading	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	2,388,547	-	57,709	2,446,256
Eliminations - inter-segment	(19,320)	-	-	(19,320)
Revenue	2,369,227	-	57,709	2,426,936
Results from operating activities	187,001	-	(3,749)	183,252
Interest expense				(20,817)
Interest income				29,634
Fair value loss arising from remeasurement of contingent receivable				(77,867)
Provision for Profit Guarantee Payment				(15,000)
Share of profit/(loss) of equity accounted joint ventures, net of tax	8,184	(10,466)	-	(2,282)
Share of loss of equity accounted associate, net of tax				(16)
Profit before tax				96,904
Profit from discontinued operations, net of tax				137,519
Segments assets	1,993,382	-	107,945	2,101,327
Investments in joint ventures	176,491	452,726	-	629,217
Investment in an associate	-	-	1,052	1,052
Total segment assets - continuing operations	2,169,873	452,726	108,997	2,731,596
Segment assets - discontinued operations				-

	Results for 12 months ended 31 December 2021	
	Poultry Integration (DTSB Group)	
	RM'000	
Revenue	860,139	
Results from operating activities	(77,743)	
Interest expense	(16,160)	
Interest income	615	
Loss before tax from operation	(93,288)	
Segment assets	993,547	

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

	Results for 12 months ended 31 December 2020			
	Continuing operations			
	Flour and grains trading	Poultry Integration (DTSB Group)	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	2,079,755	-	45,264	2,125,019
Eliminations - inter-segment	(6,070)	-	-	(6,070)
Revenue	2,073,685	-	45,264	2,118,949
Results from operating activities	122,454	-	(2,393)	120,061
Interest expense				(26,734)
Interest income				39,390
Share of loss of equity accounted joint venture, net of tax	967	-	-	967
Share of loss of equity accounted associate, net of tax				(16)
Profit before tax				133,668
Loss from discontinued operations, net of tax				(88,423)
Segments assets	1,365,679	-	103,492	1,469,171
Investment in a joint venture	164,738	-	-	164,738
Investment in an associate	-	-	1,050	1,050
Total segment assets - continuing operations	1,530,417	-	104,542	1,634,959
Segment assets - discontinued operations				947,043
				Results for 12 months ended 31 December 2020
				Poultry Integration (DTSB Group) RM'000
Revenue				683,626
Results from operating activities				(67,714)
Interest expense				(30,529)
Interest income				602
Loss before tax from operation				(97,641)
Segment assets				947,043

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

13. Performance Review

Financial review for current quarter was as follows:

Continuing operations	3 months ended		Changes	Financial Year Ended		Changes
	31.12.2021	31.12.2020		31.12.2021	31.12.2020	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	694,689	577,931	20.2%	2,426,936	2,118,949	14.5%
Results from operating activities	49,439	37,363	32.3%	183,252	120,061	52.6%
Profit/(Loss) before tax	(11,020)	47,817	(123.0%)	96,904	133,668	(27.5%)
Profit/(Loss) after tax	(20,857)	42,000	(149.7%)	61,023	109,007	(44.0%)
Profit/(Loss) attributable to owners of the Company	(27,721)	38,337	(172.3%)	36,390	93,836	(61.2%)

In the financial periods prior to 31 May 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 operations arising from the deconsolidation of DTSB as at 31 May 2021. Beginning from 1 June 2021, the remaining 51% investment in DTSB Group is accounted for as a joint venture and the share of profit/(loss) is presented as an operating segment. The Others segment includes the results from aqua feedmilling business.

Review of Quarter-on-Quarter results

For the quarter ended 31 December 2021 (Q4 2021), the Group recorded a revenue of RM694.7 million, an increase of 20.2% from RM577.9 million registered in the same quarter ended 31 December 2020 (Q4 2020). This was attributed to higher sales recorded in the flour and grains trading segment which increased by 20.2%.

The Group recorded an operating profit of RM49.4 million in Q4 2021 as compared to an operating profit of RM37.4 million in Q4 2020, driven by higher profits in the flour and grains trading segment. Flour and grains trading segment recorded an operating profit of RM50.2 million in Q4 2021 as compared to an operating profit of RM37.9 million in Q4 2020. The Group's share of profit in equity accounted joint ventures in Q4 2021 amounted to RM18.1 million as compared to a share of profit of RM5.7 million in Q4 2020. In Q4 2021, the Group recorded a fair value loss amounting to RM77.9 million arising from remeasurement of contingent receivable arising from the Corporate Proposal. Consequently, the Group recorded a loss before tax (LBT) of RM11.0 million in Q4 2021 as compared to a profit before tax (PBT) of RM47.8 million in Q4 2020. The main factors were as follows:-

- (i) The flour and grains trading generated an operating profit of RM50.2 million as compared to an operating profit of RM37.9 million in Q4 2020. Flour and grains trading segment's operating profit surged by 32.5% from that of Q4 2020, primarily due to better margin in the flour business amidst the higher flour and by-product selling prices and strong demand which compensated for the higher wheat costs in Q4 2021.

On the contrary, despite the higher grains selling price, grains trading business recorded an operating loss in Q4 2021 due to lower demand whilst commodity costs remained high coupled with lower reversal of impairment of trade receivables in Q4 2021; and

- (ii) In Q4 2021, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM1.6 million as compared to a share of profit of RM5.7 million in Q4 2020. The joint venture registered higher revenue attributable to the expanded capacity and healthy growth in sales volume coupled with higher selling prices in Q4 2021, which partially negated the increase in wheat costs. The IDR was relatively stable in Q4 2021, unlike the significant foreign exchange gain recorded in Q4 2020 when IDR strengthened significantly against the USD; and
- (iii) 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 Q4 2021, DTSB Group generated a revenue of RM265.8 million and a profit after tax of RM32.3 million. Consequently, the Group's share of profit of this equity accounted joint venture at 51% amounted to RM16.5 million in Q4 2021. In Q4 2020, a loss after tax of RM21.1 million was recorded. The higher profit in Q4 2021 was attributable to key factors below:-

- a) A fair value gain on biological assets was recorded in Q4 2021, amounting to RM35.6 million as compared to a fair value loss of RM4.7 million in Q4 2020; and
- b) With the rebound of the Malaysia GDP in Q4 2021, economic activities have picked up speed as the earlier movement control orders have progressively eased. As dine-in is allowed, food services channel recorded a spike in demand for poultry processed products. Hence, the poultry processed products segment recorded higher sales in Q4 2021 arising from higher demand as well as higher prices. In Q4 2021, the poultry industry experienced a sharp price surge due to overall shortage of chicken supply in the market arising from the emergence of Low Pathogenic Avian Influenza (LPAI) and Newcastle Disease since July 2021. Live bird price was trending high at RM6.40/kg, leading to Ministry of Domestic Trade and Consumer Affairs (MDTCA)'s intervention to control at RM6.20/kg for the month of December 2021; and
- c) Deferred tax income of RM12.6 million was accounted for in Q4 2021 mainly arising from the unabsorbed tax losses and utilised capital allowances during the quarter as compared to a deferred tax income of RM1.1 million recorded in Q4 2020; and
- d) Excluding the positive effects from the upward fair value gain, higher selling prices and sales volume as well as deferred tax income in Q4 2021, the poultry business suffered losses as a result of higher grains costs in Q4 2021; and
- e) The new plant had yet to achieve economies-of-scale as plant utilisation remained lower than the optimum utilisation level.

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13. Performance Review (continued)

Review of Quarter-on-Quarter results (continued)

(iv) A net interest expense of RM0.7 million was incurred in Q4 2021 as compared to a net interest income of RM4.7 million in Q4 2020. The fluctuation was mainly due to the restated interest income in Q4 2020 to reflect the discontinued operations of DTSB Group as explained in Note 18. The Company's interest income derived from DTSB Group in Q4 2020 is now being presented as an intra-group transaction between the continuing operations and the discontinued operations.

Review of Quarter-on-Quarter results - Fair value loss arising from remeasurement of contingent receivable

In Q4 2021, the Company recorded a fair value loss of RM77.9 million arising from a lower contingent receivable based on the estimated consideration to be received from Tyson for the First Earnout Consideration and Second Earnout Consideration.

Review of Year-on-Year results

Revenue increased by 14.5% to RM2,426.9 million for the financial year ended 31 December 2021 as compared to RM2,118.9 million posted in the preceding year, attributable to higher sales in the flour and grains trading segment which rose by 14.3%.

The Group recorded an operating profit of RM183.3 million in the financial year ended 31 December 2021 as compared to an operating profit of RM120.1 million in the preceding year. Flour and grains trading segment's operating profit surged to RM187.0 million in the financial year ended 31 December 2021 on the back of higher sales as compared to an operating profit of RM122.5 million in the preceding year. The Group's share of loss in equity accounted joint ventures in the financial year ended 31 December 2021 amounted to RM2.3 million as compared to a share of profit of RM1.0 million in the preceding year. In the financial year ended 31 December 2021, a fair value loss amounting to RM77.9 million arising from remeasurement of contingent receivable as well as a provision for Profit Guarantee Payment of RM15.0 million were recorded. Consequently, the Group recorded a lower profit before tax (PBT) of RM96.9 million in the financial year ended 31 December 2021 as compared to a PBT of RM133.7 million in the preceding year. This was attributable to:-

- (i) The flour and grains trading segment generated an operating profit of RM187.0 million as compared to an operating profit of RM122.5 million in the preceding year. Flour and grains trading segment's operating profit surged by 52.7% 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 year ended 31 December 2021 was mainly arising from the professional fee incurred in relation to the strategic partnership with Tyson amounting to RM9.4 million. In 2020, there was a net gain on disposal of land in 2020 amounting to RM8.5 million whilst the professional fee incurred in relation to the strategic partnership with Tyson amounted to RM2.6 million.

On the contrary, grains trading business recorded an operating loss in the financial year ended 31 December 2021 as a result of lower demand and higher commodity costs which negated the higher grains selling price.

In the financial year ended 31 December 2021, the flour and grains trading segment recorded a net impairment loss of RM1.2 million on its trade receivables whilst there was a net reversal of impairment on trade receivables amounting to RM1.7 million in the preceding year.

In the flour and grains trading segment, the net realised and unrealised loss on commodity futures and options in the financial year ended 31 December 2021 amounted to RM4.2 million as compared to a gain of RM3.1 million in the preceding year whereas net realised and unrealised gain on foreign exchange in the financial year ended 31 December 2021 amounted to RM2.1 million as compared to a loss of RM2.0 million in the preceding year; and

- (ii) In the financial year ended 31 December 2021, the Group's share of profit of equity accounted joint venture, PT Bungasari Flour Mills Indonesia amounted to RM8.2 million as compared to a share of profit of RM1.0 million in the preceding year. The higher sales volume amidst the expanded capacity coupled with better margins contributed to the positive results in the financial year ended 31 December 2021. The IDR was relatively stable in the financial year ended 2021, unlike the significant foreign exchange gain recorded in the preceding year when IDR strengthened significantly against the USD as at the year-end of 2020; and

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13. Performance Review (continued)

Review of Year-on-Year results (continued)

(iii) In the months from June till December 2021, DTSB Group generated a revenue of RM451.9 million and recorded a loss after tax of RM20.5 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 RM10.5 million in the financial year ended 31 December 2021.

In the 12 months' financial year ended 31 December 2021, DTSB Group generated a revenue of RM860.1 million and incurred a loss after tax of RM57.3 million as compared to a loss after tax of RM88.4 million in the preceding year. The losses in the financial year ended 31 December 2021 were attributable to the following key factors:-

- a) The poultry processed product category recorded higher sales volume in the financial year ended 31 December 2021 due to higher demand in 2021 coupled 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 poultry processed products and live birds prices in the financial year ended 31 December 2021 as compared to that of the preceding year, the business suffered losses as a result of higher grains 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 year ended 31 December 2021; and
- d) A fair value gain on biological assets was recorded in the financial year ended 31 December 2021, amounting to RM0.7 million as compared to a fair value loss of RM2.1 million in the preceding year; and
- e) Lower net interest expense was recorded in the financial year ended 31 December 2021; and
- f) Deferred tax income of RM36.0 million was accounted for in the financial year ended 31 December 2021 mainly arising from the unabsorbed tax losses and unutilised capital allowances during the year as compared to a deferred tax income of RM9.2 million recorded in the preceding year; and

(iv) Lower net interest income was recorded in the financial year ended 31 December 2021 as compared to that of the preceding year.

Review of Year-on-Year results - Fair value loss arising from remeasurement of contingent receivable

In the financial year ended 31 December 2021, the Company recorded a fair value loss of RM77.9 million arising from a lower contingent receivable based on the estimated consideration to be received from Tyson for the First Earnout Consideration and Second Earnout Consideration. In addition, a provision of RM15.0 million was accounted for the Profit Guarantee Payment.

Review of Year-on-Year results - Provision for 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.

A provision of RM15.0 million has been accounted for this Profit Guarantee Payment, based on the unaudited EBITDA of DTSB in the financial year ended 31 December 2021. The EBITDA achievement shortfall was mainly due to the prolonged COVID-19 effect to poultry industry, slower recovery in economic circumstances, the unprecedented surge in prices of raw materials and the broiler shortage situation due to the emergence of poultry diseases in the industry in 2021.

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Review of Year-on-Year results (continued)

	3 months ended		Changes	Financial Year Ended		Changes
	31.12.2021	31.12.2020		31.12.2021	31.12.2020	
	RM'000	RM'000	%	RM'000	RM'000	%
Profit/(Loss) from discontinued operations, net of tax	51,746	(21,065)	345.6%	137,519	(88,423)	255.5%

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 RM36.8 million were presented and disclosed as discontinued operations arising from deconsolidation of subsidiaries. Apart from the results from the discontinued operations, there was a one-off disposal gain of RM174.3 million recorded on 31 May 2021. The overall profit/(loss) from discontinued operations is explained below:-

- a) During the 5 months' period from January till May 2021, DTSB Group incurred a loss after tax of RM36.8 million as compared to a loss after tax of RM88.4 million in the 12 months ended 31 December 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 RM3.8 million accounted for in the 5 months ended 31 May 2021 as compared to a fair value loss of RM2.1 million in the financial year ended 31 December 2020.
- b) Upon the disposal of 49% equity interest in DTSB Group to Tyson on 31 May 2021 at the total disposal consideration of RM445.0 million (refer to Notes 18 and 19), there was a one-off disposal gain of RM174.3 million. As stated in Note 19(b), the Initial Consideration of RM183,225,964 was received on 1 June 2021 followed by an additional amount of RM1,718,312 received on 22 October 2021 whilst the First Earnout Consideration and Second Earnout Consideration will be calculated based on the projected DTSB Group's results for financial years ending 2022 and 2023 respectively, to be received in future years. An initial gain of RM126.2 million was recognised on 31 May 2021.

As at 31 December 2021, a fair value measurement on this contingent receivable was performed and based on the estimated consideration to be received from Tyson for the First Earnout Consideration and Second Earnout Consideration of RM182.2 million, a fair value loss of RM77.9 million was recognised in the Group in the financial year ended 31 December 2021. Accordingly, the non-current other receivables in the Group's balance sheet amounted to RM182.2 million as at 31 December 2021.

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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 31.12.2021 RM'000	Immediate Preceding Quarter 30.09.2021 RM'000	Changes %
Revenue	694,689	620,519	12.0%
Results from operating activities	49,439	48,214	2.5%
Profit/(Loss) before tax	(11,020)	17,630	(162.5%)
Profit/(Loss) after tax	(20,857)	9,765	(313.6%)
Profit/(Loss) attributable to owners of the Company	(27,721)	3,914	(808.3%)

Revenue increased by 12.0% in Q4 2021 as compared to that of Q3 2021, driven by the higher sales in the flour and grains trading segment.

Flour and grains trading segment recorded an operating profit of RM50.2 million, representing a 47.9% increase from that of Q3 2021. Profits generated from favourable flour margin arising from strong flour demand and higher selling prices of flour and by-product compensated for the higher wheat costs in Q4 2021. Losses from the grains trading business narrowed in Q4 2021 due to lower grains cost in Q4 2021. In Q4 2021, the net realised and unrealised gain on commodity futures and options amounted to RM1.1 million as compared to a gain of RM3.7 million in Q3 2021 whereas net realised and unrealised loss on foreign exchange in Q4 2021 amounted to RM2.5 million as compared to a gain of RM3.1 million in Q3 2021.

In Q4 2021, the Company recorded a fair value loss of RM77.9 million arising from a lower contingent receivable based on the estimated consideration to be received from Tyson for the First Earnout Consideration and Second Earnout Consideration. Meanwhile, in Q3 2021, a provision of RM15.0 million was accounted for the Profit Guarantee Payment, as explained in Note 13.

Our equity accounted joint venture, PT Bungasari Flour Mills Indonesia recorded a lower share of profit of RM1.6 million in Q4 2021 as compared to a share of profit of RM2.8 million in Q3 2021. In Q4 2021, higher sales were driven by higher demand for flour coupled with higher selling price, which negated the higher costs. Nonetheless, there was foreign exchange loss recorded in Q4 2021 as compared to foreign exchange gain in Q3 2021.

As for the equity accounted joint venture, DTSB Group, the Group's share of profit amounted to RM16.5 million in Q4 2021 as compared to a share of loss in Q3 2021 which amounted to RM16.7 million.

In the 3 months' period of Q4 2021, DTSB Group generated a profit after tax of RM32.3 million, as compared to a loss after tax of RM32.8 million in Q3 2021. The profits generated in Q4 2021 was primarily due to higher sales volume of poultry processed products and improved selling prices in Q4 2021 as well as a fair value gain on biological assets of RM35.6 million in Q4 2021 as compared to a loss of RM10.3 million in Q3 2021. Deferred tax income of RM12.6 million was recorded in Q4 2021 as compared to a deferred tax income of RM10.4 million in Q3 2021.

Discontinued operations arising from deconsolidation of subsidiaries

	3 months ended 31.12.2021 RM'000	Immediate Preceding Quarter 30.09.2021 RM'000	Changes %
Profit from discontinued operations, net of tax	51,746	-	100.0%

In Q4 2021, profit from discontinued operations amounted to RM51.7 million, which mainly represents part of the gain on disposal of 49% equity interest in DTSB Group to Tyson totalling RM174.3 million. An initial gain of RM126.2 million was recognised on 31 May 2021.

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15. Prospects

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

a. Flour Industry

The flour industry in Malaysia experienced unprecedented challenges in 2021 arising from increasing global wheat prices coupled with the impact of COVID 19. While the impact of COVID 19 appears to subside as the world learns to live with COVID 19, the flour industry continues to be impacted by the rising wheat prices and the uncertainty in the outlook of wheat prices due to the development of the Ukraine geopolitical situation and the potential unfavourable impact of the global weather on global wheat supply. 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 made price adjustments for certain non-subsidised flour in December 2021 and continue to be in discussion with MDTCA for further price adjustments in 2022. These prices adjustments are expected to contribute positively to the Company.

In the event that MDTCA enables the Company to increase its prices by Quarter 2 this year to account for the spike in global wheat prices due to the Ukraine geopolitical situation and the potential unfavourable impact of the global weather on global wheat supply, the Board is optimistic of its outlook for 2022 and beyond.

b. Poultry Industry

The industry experienced 4 successive perfect storms:

- the disruption in demand caused by the MCO from March 2020 and the recent Omicron risk which still prevails.
- 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 and caused broiler shortage in the market between 30% - 40%.
- the massive floods in Dec 2021 impacted the poultry industry negatively as it resulted in high mortality and the affected farmers deferred their decision to place day-old-chicks for fear of high mortality caused by Newcastle Disease, which remain unresolved.

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. The Company has also made considerable efforts in securing the relevant vaccines to curtail the diseases outbreak.

In view of the above and 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 and the vaccine programme to curtail the Newcastle Disease outbreak, DTSB (the joint venture company) is optimistic of its outlook for 2022 and beyond.

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

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

17. Income Tax Expense

Continuing operations

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	10,304	7,548	39,300	23,758
- prior year	6	(294)	(1,367)	(249)
Deferred tax				
- Origination and reversal of temporary difference	(473)	(1,437)	(2,127)	57
- Under provision in prior year	-	-	75	1,095
	<u>9,837</u>	<u>5,817</u>	<u>35,881</u>	<u>24,661</u>

Excluding the share of profit in equity accounted joint ventures and the fair value loss of RM77.9 million arising from remeasurement of contingent receivable, the Group's effective tax rate during the quarter ended 31 December 2021 is lower than the Malaysia statutory tax rate of 24% mainly due to tax incentives and lower tax rates in Vietnam.

Discontinued operations arising from deconsolidation of subsidiaries

	3 months ended	3 months ended	5 months ended	12 months ended
	31.12.2021	31.12.2020	31.05.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Deferred tax (income)/expense	-	(1,073)	(4,247)	(9,218)

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

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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, 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 operations 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 operations. The results of the discontinued operations up to 31 May 2021 which have been included in the results for the year, are as follows:

	3 months ended 31.12.2021 RM '000	3 months ended 31.12.2020 RM '000	5 months ended 31.05.2021 RM '000	12 months ended 31.12.2020 RM '000
Revenue	-	166,896	352,116	683,626
Cost of goods sold	-	(158,484)	(340,549)	(675,974)
Gross profit	-	8,412	11,567	7,652
Operating expenses	-	(23,040)	(39,400)	(75,366)
	-	(14,628)	(27,833)	(67,714)
Interest expense	-	(7,637)	(13,360)	(30,529)
Interest income	-	127	201	602
Net finance expenses	-	(7,510)	(13,159)	(29,927)
Loss before tax from discontinued operations	-	(22,138)	(40,992)	(97,641)
Deferred tax income	-	1,073	4,247	9,218
Loss for the financial period from discontinued operations	-	(21,065)	(36,745)	(88,423)
Gain on deconsolidation of subsidiaries	51,746	-	174,264	-
Profit/(Loss) from discontinued operations	51,746	(21,065)	137,519	(88,423)

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

	Financial Period/Year Ended	
	31.05.2021 RM '000	31.12.2020 RM '000
Net cash (used in)/generated from operating activities	(69,680)	38,860
Net cash used in investing activities	(5,753)	(50,042)
Net cash generated from financing activities	75,049	9,933
Effect on cash flows	(384)	(1,249)

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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	95,649
Prepayments and other assets	3,038
Inventories	137,208
Biological assets	48,951
Cash and cash equivalents	50,707
Total assets	1,008,476
Lease liabilities	3,380
Loans and borrowings	191,228
Trade and other payables, including derivatives	79,913
Current tax liabilities	-
Total liabilities	274,521
Total net assets	733,955
Equity interest in DTSB Group as a joint venture	463,192
Disposal consideration, at present value (Note 1)	445,027
	908,219
Gain on deconsolidation of subsidiaries	174,264
Gain attributable to:	
Gain on disposed interest of 49%	85,389
Gain on retained interest as a joint venture of 51%	88,875
Gain on deconsolidation of subsidiaries	174,264

Note 1

The disposal consideration, at present value amounted to RM445.0 million as the Company received RM185.0 million from Tyson as the Initial Consideration in 2021 and in the event the financial targets for the First Earnout Consideration and the Second Earnout Consideration are met in full respectively, another RM260.0 million (at present value) to be received in future years. An initial gain of RM126.2 million was recognised on 31 May 2021.

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.

The disposal consideration is payable in 3 main tranches as follows:

<u>Disposal consideration</u>	<u>Amount</u> RM mil	<u>Condition</u>
Initial Consideration	140.00	<i>Subject to adjustments based on Estimated Sale Shares Consideration and Post-Completion Adjustments</i>
First Earnout Consideration	140.00	
Second Earnout Consideration	140.00	
	<u>420.00</u> *	

* In the event where the financial targets for the First Earnout Consideration and Second Earnout Consideration are met in full, and payment of RM140,000,000 is made for the First Earnout Consideration and Second Earnout Consideration respectively, the total consideration will exceed RM420,000,000 if the Post-Completion Adjustments result in an amount exceeding the Initial Consideration.

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.

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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 22 February 2022, 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:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM' million	<u>As at 31 December 2021</u>		<u>Timeframe for Utilisation</u>	<u>Deviation Over spent</u>	
		<u>Actual Utilisation</u> RM' million	<u>Balance Unutilised</u> RM' million		<u>RM' million</u>	<u>%</u>
Repayment of bank borrowings	126.00	170.88	-	Within 6 months	(44.88)	-
Estimated expenses in relation to the Strategic Partnership	14.00	14.06	-	Within 1 month	(0.06) *	0%
	<u>140.00</u>	<u>184.94</u>	<u>-</u>		<u>(44.94) @</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:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM' million	<u>As at 31 December 2021</u>		<u>Revised Timeframe for Utilisation</u>	<u>Deviation Over spent</u>	
		<u>Actual Utilisation</u> RM' million	<u>Balance Unutilised</u> RM' million		<u>RM' million</u>	<u>%</u>
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216.76	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))
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20. Group's Borrowings and Debt Securities

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

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Unsecured Long Term Borrowings		
<u>Term loans</u>		
Denominated in Ringgit Malaysia	158,260	227,428
Denominated in US Dollar (i)	14,578	-
	<u>172,838</u>	<u>227,428</u>
Unsecured Short Term Borrowings		
<u>Bankers' acceptances/revolving credits</u>		
Denominated in Ringgit Malaysia	256,774	310,733
Denominated in US Dollar (i)	661,029	495,507
Denominated in Vietnamese Dong (ii)	76,311	79,058
<u>Term loans</u>		
Denominated in Ringgit Malaysia	45,160	46,850
	<u>1,039,274</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 RM675,607,000 equivalent to USD162,211,000 translated at USD/MYR rate of 4.1650 (2020: RM495,507,000 equivalent to USD123,352,000 translated at USD/MYR rate of 4.0170); and
- (ii) Denominated in VND of RM76,311,000 equivalent to VND419,939 million translated at VND/MYR rate of 5,503 (2020: RM79,058,000 equivalent to VND456,402 million translated at VND/MYR rate of 5,773)

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

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
RCULS - Liability component		
Non-current	7,310	14,234
Current	4,657	5,087
	<u>11,967</u>	<u>19,321</u>

21. Investments in joint ventures

	<u>PT Bungasari Flour Mills Indonesia</u>	<u>DTSB Group</u>	As at 31.12.2021 RM'000
<i>Percentage of ownership interest</i>	30%	51%	
At cost	RM'000	RM'000	RM'000
Unquoted shares	192,865	463,192	656,057
Share of post-acquisition reserves	(16,374)	(10,466)	(26,840)
	<u>176,491</u>	<u>452,726</u>	<u>629,217</u>
At cost	RM'000		As at 31.12.2020 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>

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22. Changes in Material Litigation

Dindings Poultry Processing Sdn Bhd ("DPP"), a joint venture (formerly a subsidiary prior to 31 May 2021) 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. On 15 February 2022, the Court of Appeal unanimously dismissed the Contractor's Appeal with costs to be paid by the Contractor to DPP. DPP's solicitors are of the opinion that there is a good prospect for the matter to be resolved 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. On 30 Nov 2021, the High Court dismissed the Contractor's Setting Aside and Stay Application and allowed DPP's Enforcement Application. DPP has since received the adjudication costs from the Contractor.

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		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to ordinary shareholders of the Company				
- continuing operations	(27,721)	38,337	36,390	93,836
- discontinued operations	51,746	(21,065)	137,519	(88,423)
	<u>24,025</u>	<u>17,272</u>	<u>173,909</u>	<u>5,413</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,653	1,009,266	1,018,156	1,007,587
Basic earnings/(loss) per ordinary share (sen)				
- continuing operations	(2.72)	3.80	3.57	9.31
- discontinued operations	5.07	(2.09)	13.51	(8.78)
	<u>2.36</u>	<u>1.71</u>	<u>17.08</u>	<u>0.54</u>

Basic Earnings Per Ordinary Share from continuing operations (adjusted):

Profit/(Loss) attributable to ordinary shareholders of the Company				
- continuing operations	(27,721)	38,337	36,390	93,836
Fair value loss arising from remeasurement of contingent receivable	77,867	-	77,867	-
Provision for Profit Guarantee Payment	-	-	15,000	-
Profit attributable to ordinary shareholders of the Company				
- continuing operations (adjusted)	<u>50,146</u>	<u>38,337</u>	<u>129,257</u>	<u>93,836</u>
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,653	1,009,266	1,018,156	1,007,587
Basic earnings per ordinary share (sen)				
- continuing operations (adjusted)	<u>4.92</u>	<u>3.80</u>	<u>12.70</u>	<u>9.31</u>

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(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		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders of the Company				
- continuing operations	(27,721)	38,337	36,390	93,836
Interest expense on RCULS, net of tax	-	316	916	1,275
	(27,721)	38,653	37,306	95,111
- discontinued operations	51,746	(21,065)	137,519	(88,423)
	24,025	17,588	174,825	6,688
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,653	1,009,266	1,018,156	1,007,587
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	219,368	227,858	219,368	227,858
- Assumed exercise of Warrants	136,688	-	136,688	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,375,709	1,237,124	1,374,212	1,235,445
Diluted earnings/(loss) per ordinary share (sen)				
- continuing operations	(2.02)	3.12	2.71	7.70
- discontinued operations	3.76	(1.70)	10.01	(7.16)
	1.75	1.42	12.72	0.54

Diluted Earnings Per Ordinary Share from continuing operations (adjusted):

Profit/(Loss) attributable to ordinary shareholders of the Company				
- continuing operations	(27,721)	38,337	36,390	93,836
Interest expense on RCULS, net of tax	-	316	916	1,275
	(27,721)	38,653	37,306	95,111
Fair value loss arising from remeasurement of contingent receivable	77,867	-	77,867	-
Provision for Profit Guarantee Payment	-	-	15,000	-
Profit attributable to ordinary shareholders of the Company				
- continuing operations (adjusted)	50,146	38,653	130,173	95,111
Weighted average number of Ordinary Shares in issue for basic EPS computation ('000)	1,019,653	1,009,266	1,018,156	1,007,587
Dilutive potential ordinary shares				
- Assumed conversion of RCULS	219,368	227,858	219,368	227,858
- Assumed exercise of Warrants	136,688	-	136,688	-
Weighted average number of Ordinary Shares in issue for diluted EPS computation ('000)	1,375,709	1,237,124	1,374,212	1,235,445
Diluted earnings per ordinary share (sen)				
- continuing operations (adjusted)	3.65	3.12	9.47	7.70

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24. Profit/(Loss) for the period

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	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	8,451	9,973	32,639	32,319
Depreciation of right-of-use assets	860	426	2,426	1,759
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities/RCULS	6,620	4,804	20,817	26,734
Net realised loss on future and option contracts	-	-	6,429	-
Net unrealised loss on future and option contracts	-	4,990	-	1,867
Net realised loss on foreign exchange	-	-	-	2,048
Net unrealised loss on foreign exchange	3,720	1,248	143	-
Property, plant and equipment written off	347	-	361	504
Loss on disposal of property, plant and equipment	2	811	-	-
Fair value loss arising from remeasurement of contingent receivable	77,867	-	77,867	-
Provision for Profit Guarantee Payment	-	-	15,000	-
Impairment loss of trade receivables	384	304	2,730	5,128
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	5,782	4,422	20,368	19,212
- debtors	156	28	327	208
- discontinued operations	-	5,102	8,939	19,970
Bad debts recovered	-	5	-	13
Insurance recoveries	345	167	403	1,520
Net realised gain on future and option contracts	990	4,691	-	4,936
Net unrealised gain on future and option contracts	128	-	2,223	-
Net realised gain on foreign exchange	1,268	1,012	2,282	-
Net unrealised gain on foreign exchange	-	-	-	1
Gain on disposal of property, plant and equipment	-	-	224	8,075
Reversal of impairment loss of trade receivables	458	2,252	1,412	7,080

	3 months ended	3 months ended	5 months ended	12 months ended
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Discontinued operations				
Profit/(Loss) for the period is arrived at after charging:				
Depreciation of property, plant and equipment and amortisation of intangible assets	-	9,349	16,243	36,147
Depreciation of right-of-use assets	-	303	649	1,443
Interest expense from unsecured bankers' acceptances/ revolving credits/term loans/lease liabilities	-	7,637	13,360	30,529
Net realised loss on future and option contracts	-	253	1,254	673
Net unrealised loss on future and option contracts	-	-	-	258
Net realised loss on foreign exchange	-	-	15	-
Net unrealised loss on foreign exchange	-	17	-	-
Net fair value loss on biological assets	-	4,653	3,794	2,062
Property, plant and equipment written off	-	80	330	220
Impairment loss of trade receivables	-	342	345	5,949
and after crediting:				
Interest income from:				
- deposits placed with licensed banks	-	1	8	5
- debtors	-	126	193	597
Insurance recoveries	-	465	61	510
Net unrealised gain on future and option contracts	-	9	39	-
Net realised gain on foreign exchange	-	21	-	110
Net unrealised gain on foreign exchange	-	-	14	2
Gain on disposal of property, plant and equipment	-	5	6	230
Reversal of impairment loss of trade receivables	-	333	872	2,807
Gain on deconsolidation of subsidiaries	51,746	-	174,264	-

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25. Derivatives

(a) Contract and fair value of derivatives

	As at 31.12.2021		As at 31.12.2020	
	Contract value RM'000	Fair value RM'000	Contract value RM'000	Fair value RM'000
Derivative financial asset				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	-	-	-	-
- Future and option contracts	(12,726)	(11,983)	-	-
Derivative financial liability				
<u>Less than 1 year</u>				
- Foreign currency forward contracts	300,725	298,649	316,715	309,993
- Future and option contracts	(802)	(806)	(5,687)	(7,171)

(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:

	12 months ended Profit or loss	
	31.12.2021 RM'000	31.12.2020 RM'000
Group	14,245	6,794

(c) Liquidity risk

The contract values of the derivatives disclosed in Note 25(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		12 months ended #	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Continuing operations and discontinued operations				
Net (losses)/gains on:				
Financial assets/(liabilities) at fair value through profit or loss:				
Mandatorily required by MFRS 9				
- foreign currency forward contracts	(1,896)	(5,811)	4,693	(2,119)
- future and option contracts	1,118	(544)	(5,421)	2,137
Financial assets at amortised cost	6,012	6,419	29,043	18,356
Financial liabilities measured at amortised cost	(7,176)	(1,759)	(36,732)	(37,109)
	(1,942)	(1,695)	(8,417)	(18,735)

For year 2021, the amounts here include continuing operations of up to 12 months and discontinued operations of up to 5 months.

For the 12 months ending 31 December 2021, the net loss was mainly due to realised loss on future and option contracts, interest expenses on borrowings and net impairment loss on trade receivables but was partially offset by interest income, unrealised gain on future and option contracts and realised and unrealised gain on foreign exchange.

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

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27. Comparative

	3 months ended 31.12.2020		12 months ended 31.12.2020	
	As previously reported	As restated	As previously reported	As restated
	RM'000	RM'000	RM'000	RM'000
Revenue	712,014	577,931	2,680,670	2,118,949
Cost of goods sold	(640,127)	(514,687)	(2,457,034)	(1,905,415)
Operating expenses	(49,870)	(25,881)	(171,289)	(93,473)
Interest expense	(7,339)	(4,804)	(37,293)	(26,734)
Interest income	4,577	9,552	20,022	39,390
Net finance (expenses)/income	(2,762)	4,748	(17,271)	12,656
Profit before tax	24,010	47,817	35,076	133,668
Tax expense	(4,026)	(5,817)	(15,443)	(24,661)
Profit/(Loss) from discontinued operations	-	(21,065)	-	(88,423)

By Order of the Board

MAH WAI MUN

Secretary

MAICSA 7009729

SSM Practising Certificate No. 202008000785

Kuala Lumpur

28 February 2022