



Malayan Flour Mills Berhad
(4260-M)



ANNUAL REPORT
LAPORAN TAHUNAN **2007**



Malayan Flour Mills Berhad
(4260-M)

Vision

We aspire to be a leading food manufacturing enterprise in the region.

Mission

We are the preferred provider and strategic partner in the food industry.

We drive operational excellence by embracing a culture of continuous improvement.

We add value to our stakeholders by growing economy of scale.



Contents

Corporate Information	2 - 3
Board of Directors	4
Directors' Profile	5 - 8
Chairman's Statement	9 - 11
Corporate Social Responsibility	12 - 16
Group Financial Highlights	17
Statement on Corporate Governance	18 - 26
Additional Compliance Information	27
Audit Committee Report	28 - 32
Statement on Internal Control	33 - 34
Reports and Financial Statements	35 - 109
Analysis of Shareholdings	110 - 112
List of Properties	113 - 115
Notice of Annual General Meeting	116 - 121
Notice of Closure of Book	122
Statement Accompanying Notice of Annual General Meeting	123 - 125
Form of Proxy	

Corporate Information

CHAIRMAN Tan Sri Datuk Arshad bin Ayub
*P.S.M., S.P.S.K., D.P.M.P., D.P.M.J., D.S.A.P.,
D.P.M.T., P.G.D.K., J.M.N.*

MANAGING DIRECTOR Teh Wee Chye

DIRECTORS Lee Soon Lee, *J.M.K.*

Tan Sri Hamzah Bin Abu Samah
*P.M.N., S.S.A.P., S.I.M.P., S.M.K., S.P.D.K.,
S.P.M.S., Hon.K.C.V.O. (England)*

Dato' Hj Shahrudin Bin Hj Haron
D.P.C.M., J.S.M., P.C.M., K.M.N.

Geh Cheng Hooi

Quah Ban Lee

AUDIT COMMITTEE Dato' Hj Shahrudin Bin Hj Haron
(Chairman and Independent Non-Executive Director)

Tan Sri Hamzah Bin Abu Samah
(Independent Non-Executive Director)

Lee Soon Lee
(Non-Independent Non-Executive Director)

Geh Cheng Hooi
(Independent Non-Executive Director)

Tan Sri Datuk Arshad bin Ayub
(Non-Independent Non-Executive Director)

SECRETARY Mah Wai Mun *(MAICSA 7009729)*

**REGISTERED OFFICE &
HEAD OFFICE** 22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
Tel. No: 03-2170 0999
Fax No: 03-2170 0888
Website: www.mfm.com.my

REGISTRARS Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose Capital Square
No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel. No: 03-2721 2222
Fax No: 03-2721 2530

FACTORIES

Jalan David Sung, Batu Undan
32200 Lumut, Dindings
Perak Darul Ridzuan

Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Johor Darul Takzim

BRANCHES

- **FEDERAL TERRITORY**
22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur

- **PENANG**
4557, Jalan Heng Choon Thian
12000 Butterworth, Pulau Pinang

- **PERAK**
2, Laluan Perusahaan
10, Kawasan Perusahaan
Menglembu 31450 Ipoh
Perak Darul Ridzuan

- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
Batu Berendam, 75350 Melaka

- **JOHOR**
Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim

- **KELANTAN**
Lot 1763, Kampong Dusun Raja
Jalan Cherang Chempaka, Panji
16100 Kota Bharu
Kelantan Darul Naim

- **PAHANG**
B-3 Lorong Padang Lalang 14
Jalan Tanjung Api
25050 Kuantan
Pahang Darul Makmur



SUBSIDIARIES

- VimafLOUR Ltd
- MFM International Ltd
- Mekong Flour Mills Ltd
- Dindings Soya & Multifeeds Sdn Berhad (34884-U)
- MFM Feedmill Sdn Bhd (172615-X)
- Dindings Poultry Processing Sdn Bhd (144808-P)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-T)
- Dindings Poultry Development Centre Sdn Bhd (180044-A)
- Semakin Dinamik Sdn Bhd (185533-V)
- Syarikat Pengangkutan Lumut Sdn Bhd (51336-M)
- Muda Fibre Manufacturing Sdn Bhd (48785-V)
- Dindings Grand Parent Farm Sdn Bhd (144962-W)
- MFM Property Sdn Bhd (176691-P)
- Dindings Trading Sdn Bhd (754079-T)

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- HSBC Bank Malaysia Berhad (127776-V)
- Alliance Bank Malaysia Bhd (88103-W)
- Standard Chartered Bank Malaysia Berhad (115793-P)
- Bank Islam Malaysia Berhad (98127-X)
- Citibank Berhad (297089-M)
- Hong Leong Bank Berhad (97141-X)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Board (Consumer Products Sector)
Stock Code: 3662

SOLICITORS

Isharidah, Ho, Chong & Menon
Skrine

AUDITORS

KPMG



Board of Directors



Malayan Flour Mills Berhad
(4260-M)

From left to right

- Dato' Hj Shaharuddin Bin Hj Haron
- Tan Sri Hamzah Bin Abu Samah
- Tan Sri Datuk Arshad Bin Ayub
- Teh Wee Chye
- Lee Soon Lee
- Geh Cheng Hooi
- Quah Ban Lee

Directors' Profile



Tan Sri Datuk Arshad bin Ayub
(Non-Independent Non-Executive Chairman)

Tan Sri Datuk Arshad bin Ayub, aged 79, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and is presently the Chairman of the Company. He is also a member of the Audit, Nomination and Remuneration Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Mr Teh Wee Chye
(Managing Director)

Mr Teh Wee Chye, aged 55, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19th June 1989 and is presently the Managing Director of the Company. He is also a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is also a director of United Teochew (Malaysia) Berhad. He is a substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Directors' Profile (cont'd)



Mr Lee Soon Lee
(Non-Independent Non-Executive Director)

Mr Lee Soon Lee, aged 80, a Malaysian, was appointed to the Board of the Company on 14th May, 1976 and is presently the Chairman of the Remuneration Committee, a member of the Audit and Nomination Committees of the Company. He is a qualified accountant and was appointed as the Secretary / Chief Accountant of Malaysian Industrial Development Finance Berhad in 1960 and was promoted to the position of Acting General Manager before leaving the company in 1967 to start his own consultancy business. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Tan Sri Hamzah bin Abu Samah
(Independent Non-Executive Director)

Tan Sri Hamzah bin Abu Samah, aged 84, a Malaysian, was appointed to the Board of the Company on 24th December, 1987 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a qualified advocate and solicitor [Barrister-at-law (Gray's Inn)] and has an outstanding civil service and political record. He has held the position of Magistrate, Deputy Public Prosecutor, State Legal Adviser and the Chief Registrar of the Federal Court in his legal career before entering politics in 1967 whereby he became the Deputy Minister of Home Affairs (1967-1969). Since then, he has been the Minister of Information and Broadcasting (1969-1971), the Minister of Culture, Youth and Sports (1971-1973), the Minister of Defence (1973-1974), the Minister of Commerce and Industry (1974-1978), the Minister of Law and the Attorney General (1978-1980). He was the Senior Partner of Messrs Hamzah Abu Samah & Partners and remains as the consultant after his retirement. He is also a director of BBW Gold Consortium Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Directors' Profile (cont'd)



Dato' Hj Shaharuddin bin Hj Haron
(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 69, a Malaysian, was appointed to the Board of the Company on 23rd September, 1993 and is presently the Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of Pittsburgh, USA. He has a long and outstanding civil service record which began in 1963 when he joined the Economic Planning Unit of the Prime Minister's Department till 1979. He held various senior positions in the Government. He was the first Secretary of the Foreign Investment Committee (1974-1979), the Director General of Insurance in the Ministry of Finance (1983), the Director General of the National Padi and Rice Board (1985) and Secretary General of the Ministry of Public Enterprise (1986), Ministry of International Trade and Industry (1990) and Ministry of Domestic Trade and Consumer Affairs (1992). Presently, he sits on the Board of Gopeng Berhad, Latitude Tree Holdings Berhad and Ajinomoto (Malaysia) Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Mr Geh Cheng Hooi
(Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 73, a Malaysian, was appointed to the Board of the Company on 11th March, 2003 and is presently a member of the Audit and Nomination Committees of the Company. After qualifying as a Chartered Accountant in the United Kingdom in 1959, he worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick ("KPMG") in 1961. He was admitted as a partner in KPMG in 1964 and retired as senior partner in 1989. Presently, he is an adviser/consultant in KPMG, a position to which he was appointed since 1989. He is also a Fellow of The Institute of Chartered Accountants of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Star Publications (Malaysia) Berhad, Lingui Developments Berhad, NCB Holdings Berhad, PLUS Expressways Berhad and Paramount Corporation Behad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Directors' Profile (cont'd)



Mr Quah Ban Lee
(Finance Director)

Mr Quah Ban Lee, aged 50, a Malaysian, was appointed to the Board of the Company on 18th August, 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Accountants ("MIA"). He also possesses a Bachelor of Arts (Hons) in Economics and Accounting Degree from the University of Reading in the United Kingdom. He has more than 20 years experience in finance, including a number of years in professional accounting firms, both in the United Kingdom and Malaysia. He has worked with other public listed companies in Malaysia prior to joining the Company. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Chairman's Statement



"On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of Malayan Flour Mills Berhad ('MFM') for the financial year ended 31st December 2007."

REVIEW OF PERFORMANCE

The Group had reached a new milestone in 2007 with a profit before tax of RM64.0 million on the back of record revenue of RM1.0 billion. This represents an increase of 46% over the profit before tax of RM43.5 million and 30% above the revenue of RM794.2 million reported in 2006. This was attributable to the timely purchase of raw materials, amidst surging historically high commodity prices and ocean freight during the year. This allowed the Group to maintain its cost and price competitiveness.

The better performance was mainly contributed by the flour business in Malaysia and Vietnam. Our flour business recorded a 39% growth in profits to RM80.8 million for the year from RM58.0 million a year earlier. Due to the ability of the division to manage its input cost and raw material availability, it achieved reasonable margins in spite of the escalating global wheat prices.

We are grateful to the Malaysian government in recognising the difficulties encountered by the flour milling industry due to the significant increase in raw material cost and had agreed to an increase in the selling price of the price-controlled flour. In Vietnam, the flour millers were able to adjust the flour selling prices upwards accordingly.

Our feeds business registered an increase of 55% in its revenue to RM200.0 million from RM128.7 million achieved in the previous year. However, the profits decreased to a modest level of RM0.9 million as compared to RM7.3 million recorded in 2006. The decline in performance was attributed to the inability to increase selling prices commensurate with the escalation in corn and soyabean meal prices.

The poultry integration business recorded a loss of RM10.0 million for the financial year under review as opposed to a higher loss of RM15.8 million recorded a year earlier. Revenue for the business increased by 10% to RM198.1 million from RM180.5 million reported in the previous corresponding period. During the year under review a manpower rationalization exercise was undertaken and its distribution channels streamlined. The management remains focused on turning around this business and maintains a positive outlook for the segment. Its key strategy is to gain economies of scale and higher level of efficiencies.

Chairman's Statement (cont'd)

REVIEW OF PERFORMANCE (cont'd)

The two claims made in the legal case reported in 2006, where a subsidiary, Dindings Poultry Processing Sdn Bhd was served with a writ of summons filed in the high court by a third party and a non-governmental organization for damages amounting to RM101 million for an alleged breach of the Halal logo, had been struck out and set aside respectively by the Court with cost.

The implementation of the Enterprise Resource Planning software in MFM which commenced in 2006 for the Malaysian based operations, had contributed to an improvement in the level of internal control and efficiency in data and information management. The system would also be rolled out to our operations in Vietnam during 2008.

The Group remains committed to support all Safety, Health and Environmental protection programs to ensure and provide a safe and healthy working environment for all its employees. The Group places great emphasis on Hazards Analysis Critical Control Point (HACCP) system which is a preventive system assuring the safe production of food products. The objectives are to make a product safe for human consumption. It employs a methodical and systematic approach to plan, control and document the safe production of food. The existence of an effective HACCP system within any food manufacturing organisation projects a corporate image of sound quality and safety.

MFM continues to play its part in building community relations by contributing to deserving organizations and the underprivileged. The monetary contributions made by the Group in 2007 included that to the flood victims in Johor, Rotary Charity project in Sitiawan, Wawasan Education Fund and HSBC Community Charity Trianglethon. In recognition of the importance of corporate governance, MFM had also co-sponsored an international conference on Democratisation and Good Governance in the Malaysian Public Sector organized by University of Malaya.

CORPORATE DEVELOPMENT

For the year under review, an additional 2,426,000 new ordinary shares of RM1 each were issued at the option price between RM1.58 and RM2.04 per ordinary share. The Scheme expired on 27th May 2007.

With the above new ordinary shares the issued and paid up capital of MFM increased from RM105.2 million as at 31st December 2006 to RM107.6 million as at 31st December 2007.



Chairman's Statement (cont'd)



OUTLOOK

Rising commodity cost and surging ocean freight resulting in margin squeeze as well as intense competition will remain the main challenges for the Group. One of the key strategies for the Group is to achieve greater economies of scale in 2008. This would assist in alleviating the adverse impact of higher costs. The Board expects the financial performance for year 2008 to be favourable.

DIVIDENDS

In view of the fine performance of the Group in 2007, I am very pleased to announce that your Directors are recommending a final dividend of 5 sen per ordinary share, less tax at 26% (Year ended 31st December 2006: 5 sen per ordinary share, tax exempt) and a special dividend of 10 sen per ordinary share, less tax at 26%, in respect of the financial year ended 31st December 2007 for your approval at the forthcoming Annual General Meeting to be held on 9th June 2008.

With the above final and special dividend plus the interim dividend of 5 sen per ordinary share (Year ended 31st December 2006: 5 sen per ordinary share, less tax at 27%) paid on 18th January 2008, the total dividend payout of 20 sen per share would be the highest for the company since its listing on the Bursa Malaysia Securities Berhad.

CONDOLENCE

The Board and Management were saddened by the recent passing away of one of our directors, Dato' Richard Ho Ung Hun in February 2008. The Group is indeed grateful for the late Dato' Richard Ho's contribution during his tenure as a member of the Board of the Company. The Board of Directors and management of the Group would like to extend their deepest condolence to the wife and family members of the late Dato' Richard Ho on their recent bereavement.

APPRECIATION

On behalf of the Board of Directors, I would like to thank the shareholders, customers, suppliers, bankers, government agencies and regulatory authorities for the continued support and contribution.

The Board would also like to extend its deepest appreciation to the management and employees of the Group for their commitment and dedication in their endeavor to realize the Group's Vision, especially in this challenging economic environment.

Tan Sri Datuk Arshad bin Ayub
Chairman

Kuala Lumpur
16th May 2008

Corporate Social Responsibility

The Group considers corporate social responsibility ("CSR") as part of the continuing process of building long-term value. An effective CSR would help the Group to differentiate itself as well as improve the quality of life for the community and society at large.

For year 2007, the following activities were undertaken by the Group as its responsibilities towards the customers, employees, shareholders and community:

COMMUNITY RELATIONS

1. Charity for flood victims in Muar, Johor

On 8th January 2007, Malayan Flour Mills Berhad has sponsored flour to Gardenia Bakeries (KL) Sdn Bhd to produce 72,000 breads and Mamee-Double Decker (M) Berhad to supply 40,000 cups noodles to the flood victims in Muar, Johor.



2. HSBC Community Triangle-thon

Malayan Flour Mills Berhad has sponsored The HSBC Community Triangle-thon held on 4th February 2007 to raise funds for 10 selected charities namely Diabetics Association, National Stroke Association, Women Aid Organisation, Montfort Boys & Girl, Shelter Home for Children, Persatuan Mobiliti, Yayasan Harapan Kanak-Kanak Malaysia, Hospis Malaysia, Malaysian Association for the Blind and Alzheimer's Disease Foundation.

3. Maulidur Rasul Celebration

On 8th April 2007, Dindings Poultry Processing Sdn Bhd has organised a Maulidur Rasul celebration for the second time at its own plant compound. An estimated 300 guests attended the function.

After the opening speech, the guests were entertained with nasyid songs by Dindings Poultry Processing employees' nasyid group. After that a religious speech was given by the invited speaker, Ustaz Ahmad bin Mohd Amin, a religious officer from Royal Malaysian Navy in Lumut. The speech was about Islamic values that should be practised in the life of each Muslim.

Before the ceremony ended, a marhaban group from An-Nasriyah mosque in Sitiawan together with another marhaban group from Royal Malaysian Navy in Lumut entertained the guests with their marhaban songs. At the end of the ceremony, lunch was served to the guests.



Corporate Social Responsibility (cont'd)



4. Rotary Club of Sitiawan – Rotary Charity Project

As part of its responsibility to the society, Malayan Flour Mills Berhad has donated to the Rotary Charity Project organised by the Rotary Club of Sitiawan to bring happiness and hopes to the needy, handicapped and the aged.

5. University of Malaya, International Institute of Public Policy and Management ("INPUMA") - International Conference

Malayan Flour Mills Berhad was proud to play a role in promoting and enhancing good governance in the public sector by being the Co-Sponsor for the International Conference on "Democratisation and Good Governance in the Malaysian Public Sector" and Public Lecture on "Constitutional Challenge and Political Change in the United Kingdom" organised by INPUMA on 13th -14th August 2007.

The topics delivered at the Conference and Public Lecture were crucial as there were calls for the Public Sector to practice good governance if it is to retain public confidence, legitimacy and credibility in the eyes of the public.



Corporate Social Responsibility (cont'd)

6. Malaysian National Shippers' Council - World Shippers' Conference 2007

Malayan Flour Mills Berhad participated in the World Shippers' Conference 2007 on "Maritime Competition, Exporters / Importers Challenges" which was held on 18th September 2007 as the Silver Sponsor.

The conference was organised by the Malaysian National Shippers' Council and managed by the Federation of Malaysian Manufacturers.



7. Rebuild School Project – SJK (C) Tit Bin, Perak

Malayan Flour Mills Berhad also did its part to improve education by contributing to SJK (C) Tit Bin, Perak for its reconstruction project.

8. Wawasan Education Fund – "Road to Dawn" Charity Premiere

Malayan Flour Mills Berhad has contributed to the "Road to Dawn" Charity Premiere organised by Wawasan Open University ("WOU") for its fund raising project.

Wawasan Education Foundation ("WEF") is founded in year 2000 and it funded WOU to organize distance learning programmes for people who are unable to attend full time education. At as todate, WEF has helped more than 700 WOU students who received financial support from WEF.

9. PUSPANITA – Contribution to Single Mothers / Orphans

Malayan Flour Mills Berhad has co-sponsored the celebration of Hari Raya 1428H organised by PUSPANITA of Manjung District for the single mothers and orphans. During the function, contribution was also given to each of the single mothers and orphans.

Corporate Social Responsibility (cont'd)



CORPORATE EVENTS

1. Participation in the World Halal Forum

Dindings Poultry Processing Sdn Bhd, a poultry processing company, had participated in the World Halal Forum which was held from 7th – 8th May 2007 as the Event Sponsor. The World Halal Forum is the premier global halal industry event where all its' leaders meet to discuss religious, business and economics issues concerning the halal industry.



2. Participation in the Malaysia International Halal Showcase ("MIHAS")

Dindings Poultry Processing Sdn Bhd also participated in the Malaysia International Halal Showcase 2007 ("MIHAS 2007") which was held from 9th – 13th May 2007. MIHAS was organised by the Malaysia External Trade Development Corporation in collaboration with the Ministry of Entrepreneur and Cooperative Development Corporation and the Islamic Dakwah Foundation. MIHAS 2007 was the world's largest halal trade fair and Malaysia's largest food and beverage exhibition which provide opportunity for the business community to network and trade with international buyers seeking new products and ideas.



3. Annual General Meeting

The Company's 47th Annual General Meeting ("AGM") was held on 19th June 2007 at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.



4. Mid Autumn BBQ Party

The Company has organised a poolside BBQ party in celebration of the Mooncakes Festival on 11th September 2007. There were lots of games, prizes, lucky draws and laughter.



Corporate Social Responsibility (cont'd)

5. Livestock Asia Expo & Forum 2007

Subsidiaries, Dindings Poultry Processing Sdn Bhd, Dindings Soya & Multifeeds Sdn Berhad and MFM Feedmill Sdn Bhd had participated in the Livestock Asia Expo & Forum 2007 which was held from 23rd – 25th October 2007 as one of the sponsors. The exhibition was hosted by the Department of Veterinary Services, Ministry of Agriculture & Agro-Based Industry and endorsed by MATRADE. The exhibition was an opportune time for key industry players to meet and be updated on the latest development in animal nutrition leading to food safety and quality. In addition, this exhibition served a perfect platform to network and share experiences with industry members.



6. Christmas Tea Party Gathering

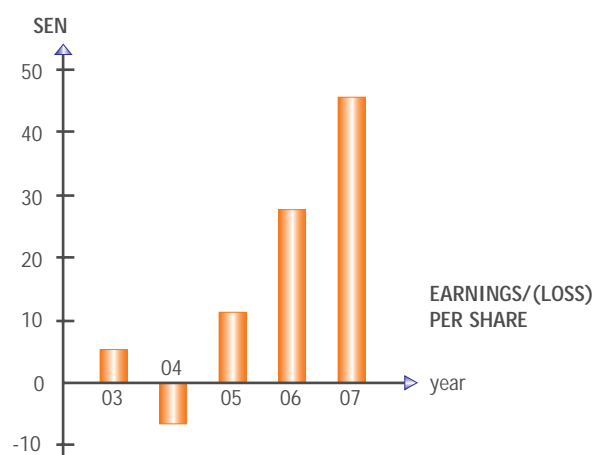
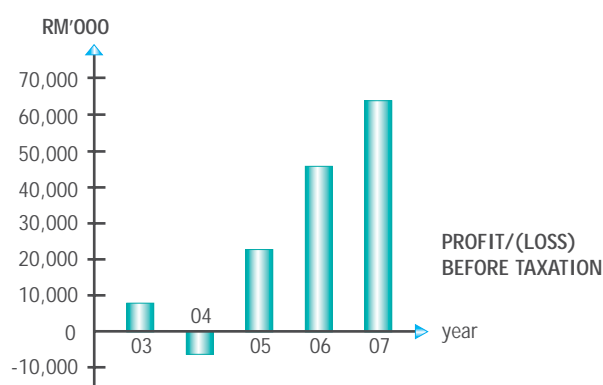
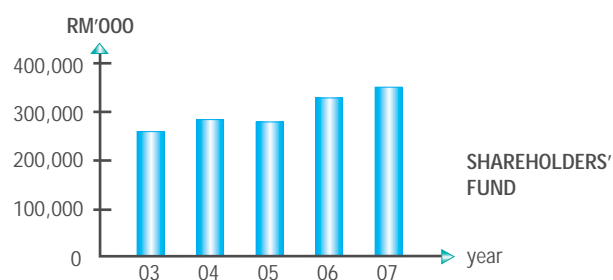
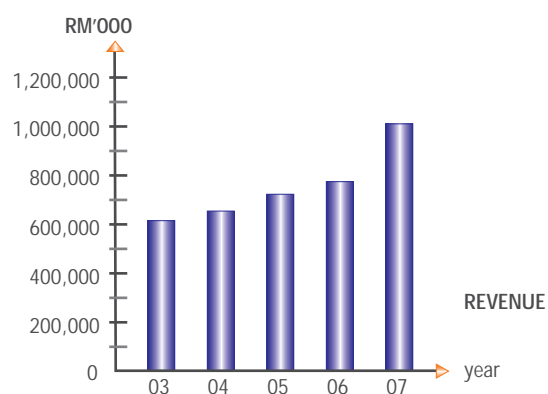
A Christmas tea party gathering was organised to bring joy to the Head Office staff in celebration of the Christmas and New Year on 29th December 2007. A wide range of mouth-watering foods was prepared by its own staff and the most exciting part of the gathering was the "Gift Exchange Program".



Group Financial Highlights



Year ended 31st December	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	605,254	649,483	740,085	794,226	1,031,183
Profit/(loss) before taxation	8,634	(5,290)	22,898	43,482	63,985
Taxation	(3,934)	(2,339)	(6,453)	(10,606)	(10,676)
Profit/(loss) after taxation	4,700	(7,629)	16,445	32,876	53,309
Loss for the year from discontinued operations	-	-	(1,118)	-	-
Profit/(loss) for the year	4,700	(7,629)	15,327	32,876	53,309
Minority Interests	(331)	1,934	(4,902)	(4,575)	(6,718)
Profit/(loss) attributable to equity holders of the Company	4,369	(5,695)	10,425	28,301	46,591
Issued Share Capital (RM'000)	84,015	95,763	95,763	105,219	107,645
Shareholders' Fund (RM'000)	282,837	288,015	286,793	313,053	346,297
Net assets per share (sen)	337	301	299	298	322
Earnings/(loss) per share (sen)	5.20	(6.41)	10.89	28.47	43.54
Gross dividends (%) - tax exempt	0	0	5	5	-
Gross dividends (%) - taxable	10	10	5	5	20



Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors of Malayan Flour Mills Berhad remains committed towards improving Corporate Governance practices to ensure that the highest standards on Corporate Governance are observed throughout the Group in the interest of the stakeholders. The Board regards Corporate Governance as vitally important to the success of the Company's business and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings.

The Board views the maintenance of high standards of corporate governance as a continuous process incorporating current developments from both within and outside the Country. The Board makes adjustments as may be appropriate and the overriding principle is to adopt the substance rather than the form, with the ultimate objective of enhancing the business processes and shareholder value.

This statement describes the approach that the Company has taken with respect to each of the key principles and the extent of its compliance with the best practices during the financial year.

BOARD OF DIRECTORS

Composition of the Board and Balance

The Board is responsible for the Company in achieving the highest level of business conduct. Its duties and responsibilities included amongst others to establish long and medium term strategic plans, approve annual budget, establish goals for management and monitor the achievement of these goals. The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

The Company has a unitary Board, currently consisting of two (2) Executive Directors and five (5) Non-Executive Directors of whom three (3) are Independent and thus obtain the desired level of objectivity and independence in Board deliberations and decision making. The Board composition also complies with the Listing Requirements of Bursa Malaysia Securities Berhad which require a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each director is presented on pages 5 to 8 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors fulfills a pivotal role in corporate accountability and provides unbiased, objective and independent view, advice and judgment to the decision making process of the Board.

Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



BOARD OF DIRECTORS (cont'd)

Appointment and Re-election of Directors

The procedures for appointments to the Board are formal and transparent. The Nomination Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills, knowledge, expertise and experience which the Director(s) brings to the Board. For the position of independent non-executive director, the Nomination Committee also evaluates the candidate's calibre, credibility and necessary skill and experience to bring an independent judgement and view to matters under consideration. Any new nomination received is forwarded to the Board for assessment and endorsement.

The Company's Articles of Association provide that all Directors are subject to election by the shareholders at the next Annual General Meeting subsequent to their appointment.

In respect of the re-election of Directors, the Article provides that at least one third or the nearest to one-third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and that all Directors are subject to re-election by rotation at least once in every three years.

Directors over seventy years old are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

Board Meetings

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary. The Board meetings are scheduled prior to the commencement of the financial year. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the statutory register at the registered office of the Company. In the event of a potential conflict of interest, the Director in such position will make a declaration to that effect as soon as practicable. The Director concerned will then abstain from any decision-making process in which he has an interest in.

During the year under review, seven (7) Board Meetings were held. The attendance of each Director at the Board meetings are as follows:-

Director	Number of Meetings Attended
Tan Sri Datuk Arshad bin Ayub	7 / 7
Mr Teh Wee Chye	7 / 7
Mr Lee Soon Lee	7 / 7
Tan Sri Hamzah bin Abu Samah	6 / 7
Dato' Hj Shahrudin bin Hj Haron	7 / 7
Mr Geh Cheng Hooi	7 / 7
Mr Quah Ban Lee	7 / 7
Dato' Ho Ung Hun (Deceased on 4th February 2008)	6 / 7

Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD OF DIRECTORS *(cont'd)*

Access to Advice and Information

In order for the Board to effectively discharge its duties and responsibilities, the Directors are provided with full, complete and unrestricted access to timely and accurate information. All Board and Committee members are provided with the agenda and reports relevant to the business of the meeting in advance so that the Directors have sufficient time to prepare and deliberate on the issues prior to the meeting.

Senior Management members may be invited to attend Board Meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish their clarification on issues that may be raised by Directors.

In furtherance of their duties, the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may take independent advice if necessary at the Company's expense.

Directors' Training

Recognising the ever increasing demands of their role, the Directors of the Company have continued to attend and participate in various programmes which they have individually or collectively considered as relevant for them to keep abreast with the changes in regulations and trends in the business practices, environment and markets.

On appointment, all new Directors in particular the Non-Executive Directors will have the benefit of an induction programme aimed at deepening their understanding of the Company and the business environment and markets in which the Company operates.

The Company Secretary facilitates the participation of training programmes by the Directors and maintains the details of all trainings attended by the Directors.

Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



BOARD OF DIRECTORS (cont'd)

Directors' Training (cont'd)

During the financial year under review, the following training programmes were attended by the Directors of the Company :-

Name of Director	Mode of Training	Title of Training	Days
Tan Sri Datuk Arshad Bin Ayub	Conference	Audit Committees Crucial Updates Conference	1 Day
Teh Wee Chye	Workshop	1. Workshop on Brand Action Planning	1/2 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
Lee Soon Lee	Conference	1. Audit Committees Crucial Updates Conference	1 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
Tan Sri Hamzah Bin Abu Samah	Conference	Audit Committees Crucial Updates Conference	1 Day
Dato' Hj Shaharuddin Bin Hj Haron	Seminar	Improving Board Directors' Performance, Leadership & Governance	1 Day
Geh Cheng Hooi	Conference	Audit Committees Crucial Updates Conference	1 Day
Quah Ban Lee	Workshop	1. Workshop on Brand Action Planning	1/2 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
	Conference	3. KPMG Tax Summit 2007	1 Day
Dato' Ho Ung Hun	Seminar	Making Corporate Boards More Effective	1 Day

Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD COMMITTEES

The Board has delegated certain responsibilities to the Board Committees which are necessary to facilitate efficient decision-making to assist the Board in the execution of its duties, power and authorities. The functions and terms of reference of the Board Committees are clearly defined. The Chairman of the various committees will report to the Board the outcome of the respective Committee meetings and such reports are incorporated in the minutes of the Board meeting.

Currently, the Board has three standing committees namely, Audit Committee, Nomination Committee and Remuneration Committee. The Board retains full responsibility for the direction and control of the Company and the Group.

Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 28 to 32 of this Annual Report.

Nomination Committee

The Nomination Committee consists of two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors as follows:

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

The Committee is responsible for making recommendations for any appointments to the Board, Board Committees as well as positions of the General Manager(s) and Chief Financial Officer. It also assesses the effectiveness of the Board as a whole, the various Committees and each individual director's contribution to the effectiveness of the decision-making process of the Board.

The Committee met once during the financial year.

Remuneration Committee

The Remuneration Committee comprises of two (2) Non-Independent Non-Executive Directors, two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

Mr Lee Soon Lee (Chairman)	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Teh Wee Chye	(Managing Director)

The primary function of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and other senior management staff of the Group. The Committee also reviews and recommends for the Board's consideration the Directors'/Committees' fees and meeting allowances.

Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



BOARD COMMITTEES (cont'd)

Remuneration Committee (cont'd)

The Committee also determine the policy for and the scope of service agreements for the Executive Directors of the Group.

Executive Director will abstain from deliberations and voting decisions in respect of his remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. The increase in Directors' fees has to be approved by the shareholders at the Annual General Meeting.

The Committee met three (3) times during the financial year under review.

Bumi-Issue cum ESOS Committee

The Bumi-Issue cum ESOS Committee comprised of one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors as follows:-

Mr Teh Wee Chye (Chairman)	(Managing Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

As the Special Issue of 16,000,000 ordinary shares to Approved Bumiputra Investors was completed and the Employees' Share Option Scheme of the Company has expired on 27th May 2007, the functions of the Committee have ceased.

The Committee met twice during the financial year under review.

DIRECTORS' REMUNERATION

The Company has in place a remuneration policy which linked the remuneration package of the Executive Directors to the corporate and individual performance. The remuneration package of the Executive Directors comprises of the basic salary, performance incentive and other benefits as are laid down by the Company's rules and regulations from time to time. Their remuneration package is reviewed annually to keep abreast with the changes in the market and industry as well as to motivate and retain the directors to pursue the long term goals of the Group.

The Directors are paid meeting allowance for each Board and Committee meeting they attend. Besides this, the Non-Executive Directors of the Company are also paid annual fees which were approved by the shareholders at the Annual General Meeting.

In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of discharging their duties.

Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

DIRECTORS' REMUNERATION (cont'd)

The aggregate Directors' remuneration paid or payable or otherwise made to all Directors of the Company who served during the financial year is as follows :

(a) Aggregate remuneration of Directors categorized into appropriate components :

Category	Fees (RM'000)	Salaries (RM'000)	Performance Incentive (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
2 Executive Directors	8	1,347	1,522	104	71
6 Non-Executive Directors	484	73	20	33	226

(b) The number of Directors of the Company whose total remuneration falls within the following bands :

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	1
RM200,001 to RM250,000	-	2
RM800,001 to RM850,000	1	-
RM2,200,000 to RM2,250,000	1	-

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and the general public. All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM") and to participate in the proceedings. Shareholders' suggestions received during Annual General Meetings are reviewed and considered for implementation wherever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written reply after the AGM.

The timely release of quarterly financial results and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to the Bursa Malaysia Securities Berhad on material information and corporate proposals are the principal channels for dissemination of information to its investors, stakeholders and the public generally.

Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors take responsibility for presenting a balanced and objective assessment of the Group's financial performance and prospects primarily through the quarterly and annual financial announcements of results. In addition, the Chairman's statement and review of operations and corporate developments are also contained in this Annual Report to the shareholders.

The Group's financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. Efforts are made to ensure that in presenting the financial statements, the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates are being used.

Internal Control

The Group has in place a sound system of internal control which covers not only financial controls but also operational, compliance and risk management. The system of internal control provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The Statement on Internal Control as set out on pages 33 to 34 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to both the Internal and External Auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

DIRECTORS' RESPONSIBILITY STATEMENT

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31st December 2007, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

Additional Compliance Information



The following information is provided in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad.

1. Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31st December, 2007.

3. Options, Warrants or Convertible Securities

The details of the Options under the Employees' Share Option Scheme ("ESOS") which were granted and exercised during the financial year are disclosed in Note 18 to the financial statements and the Directors' Report. The Company does not have any outstanding warrants or convertible securities.

4. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

6. Non-Audit Fees

Non-Audit Fees amounting to RM25,000 would be payable to the External Auditors for the financial year.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31st December, 2007 and the unaudited results for the quarter ended 31st December, 2007 of the Group.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

9. Material Contracts Involving Directors' and Substantial Shareholders' Interests

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and substantial shareholders' interests either subsisting as at 31st December, 2007 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 26 to the financial statements on page 108 of this Annual Report.

10. Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in Note 2(c)(i) to the financial statements on page 61 of this Annual Report.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Recurrent Related Party Transactions of a Revenue or Trading Nature are disclosed in Note 26 to the financial statements on page 108 of this Annual Report.

Audit Committee Report

The Board of Malayan Flour Mills Berhad is pleased to present the Audit Committee Report for the year ended 31st December 2007.

MEMBERS

- Chairman : Dato' Hj Shaharuddin bin Hj Haron
(Independent Non-Executive Director)
- Members : Tan Sri Hamzah bin Abu Samah
(Independent Non-Executive Director)
- Lee Soon Lee
(Non-Independent Non-Executive Director)
- Geh Cheng Hooi
(Independent Non-Executive Director)
- Tan Sri Datuk Arshad bin Ayub
(Non-Independent Non-Executive Director)

MEETINGS OF THE AUDIT COMMITTEE

During the year, the Audit Committee met five (5) times and the details of the attendance of each member of the Audit Committee are as follows:

Audit Committee Members	Attendance
Dato' Hj Shaharuddin bin Hj Haron	5 of 5 meetings
Tan Sri Hamzah bin Abu Samah	5 of 5 meetings
Lee Soon Lee	5 of 5 meetings
Geh Cheng Hooi	5 of 5 meetings
Tan Sri Datuk Arshad bin Ayub	5 of 5 meetings

At each Audit Committee Meeting, Internal Audit Department tabled its audit report to the Audit Committee for deliberation. Weaknesses of procedures were identified and actions were identified to rectify those weaknesses.

The Chairman of the Audit Committee reported on each meeting to the Board at the Board Meeting.

Audit Committee Report (cont'd)



TERMS OF REFERENCE

1.0 Members

The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, all of whom shall be non-executive directors, with a majority of them being independent directors.

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have other accounting qualifications with at least three years' working experience or fulfils such other requirements as prescribed or approved by the Exchange (refer to Paragraph 15.10(1)(c) of the Bursa Malaysia Securities Berhad's Listing Requirements).

Where the members of the Audit Committee for any reason be reduced to below three, the Board of Directors shall within three months of that event, appoint such number of new members as may required to make up the minimum number of three members.

The secretary of the Committee shall be the Company Secretary / Head of Internal Audit.

2.0 Meetings

Meetings shall be held no less than four times a year although additional meetings may be called at any time at the discretion of the Chairman.

The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit shall normally attend meetings. Representatives of the external auditors shall attend meetings no less than two times a year where matters relating to the audit of the statutory accounts are to be discussed.

The Committee shall convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Committee papers will be circulated to all members 10 days prior to the date of the meeting.

The draft minutes of each meeting shall be finalised within two weeks of each meeting and circulated to all Audit Committee members.

A quorum shall consist of a majority of independent directors.

Audit Committee Report (cont'd)

TERMS OF REFERENCE (cont'd)

3.0 Authority

The Committee shall have the authority to investigate matters within its authority and request for any relevant information. The employees are directed to co-operate with any request made by the Committee.

The Committee is authorised to obtain such independent professional advice as it considers necessary. The Audit Committee shall have no executive powers as regards to its findings and recommendations.

4.0 Duties and Responsibilities

- a) The Chairman of the Audit Committee shall report to the Board after each Committee meeting, including any findings and recommendations of the Committee.
- b) To review and evaluate financial and accounting policies and adequacy of management controls instituted.
- c) To review the financial statements and annual report prior to approval by the Board of Directors.
- d) To be satisfied that the accounting policies of the Group are in accordance with the law and appropriate Accounting Standards.
- e) Internal Audit:
 - To ensure the maintenance of an Internal Audit Department with appropriate resources to carry out its duties. The Head of Internal Audit reports directly to the Audit Committee.
 - To review the Internal Audit reports to management and to ensure follow up by Management on agreed recommendations.
 - To evaluate and appraise the effectiveness of the Internal Audit Function.
 - To recommend the appointment, transfer or dismissal of the Internal Audit Personnel.
 - To approve remuneration of the Head of Internal Audit.
 - To approve the budget for the Internal Audit Department.
 - To approve the Audit Plan and review performance in relation to the Plan.
 - To undertake the Quality Assurance Review of the Internal Audit function to ensure that its core competencies are adequate.

Audit Committee Report (cont'd)



TERMS OF REFERENCE (cont'd)

4.0 Duties and Responsibilities (cont'd)

- f) External Auditors:
 - To oversee all matters relating to external audit including the review of the audit plan and audit report.
 - To evaluate the quality of external auditors and make recommendations concerning their appointment and dismissal.
 - To review the audited annual financial statements and external auditors' opinion rendered in respect to such financial statements including the nature and extent of any significant changes in accounting principles or the application therein.
- g) To review the nature of any related party transactions that may arise within the Company or Group.
- h) To review compliance with government regulations.
- i) To consider and examine such other matters as the Committee considers appropriate.
- j) The term of office and performance of the Audit Committee and each of its members must be reviewed by the Board at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31st December 2007 was as follows:

- a) Reviewed the quarterly financial statements, interim financial announcements and year end financial statements of the Group and press releases relating to financial matters prior to the approval by the Board.
- b) Reviewed the related party transactions that had arisen within the Company or the Group.
- c) Reviewed with the external auditors their audit plans prior to commencement of audit.
- d) Discussed and reviewed the Group's financial year-end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements.
- e) Reviewed and appraised the audit reports submitted by the Internal Auditors.
- f) The Committee also appraised the adequacy of actions and remedial measures taken by the Management in resolving audit issues reported and recommended further improvement measures.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

The Internal Audit Department undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covers review of adequacy of risks management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer services amongst others. The internal audit report is deliberated by the Audit Committee and recommendations are duly acted by the Management.

Statement on Internal Control



The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.27(b) of Bursa Malaysia Securities Berhad Listing Requirements.

The Board of Directors recognises the importance of maintaining a sound system of internal control over all financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the Group's system of internal control, risk management, and for reviewing the adequacy and integrity of those systems. The internal control systems are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group has in place ongoing process to review the effectiveness, adequacy and integrity of the system of internal control.

Risk Management

The Board confirms that there is a risk management plan in place to identify, evaluate and manage significant risks faced by the Group. Risk Management is an integral part of our business operations and this process goes through a review by the Board. During the year, discussions were conducted at different levels of management to identify and address risks identified in the Group. The operational activities of the Group include the assessment of significant risks and the execution of relevant mitigating action plans.

Other key elements of internal control

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and senior management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- An independent internal audit department reports directly to the Audit Committee. Internal audit plans are reviewed and approved by the Audit Committee and the plans are to monitor compliance with and adequacy of the Group's system of internal control and to provide assurance on the effectiveness of the Group's system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.
- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a regular basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.

Statement on Internal Control (cont'd)

Other key elements of internal control *(cont'd)*

- The Group Managing Director meets with the senior management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.
- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, added or updated in line with the changes in the operating environment.

Statement made in accordance with the resolution of the Directors dated 2nd April 2008.



Reports and Financial Statements

Directors' Report	36 - 42
Statement by Directors	43
Statutory Declaration	44
Report of the Auditors	45 - 46
Balance Sheets	47 - 48
Income Statements	49
Statement of Changes in Equity	50 - 52
Cash Flow Statements	53 - 55
Notes to the Financial Statements	56 -109

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December 2007.

Principal activities

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	46,591	17,689
Minority Interest	6,718	-
	<u>53,309</u>	<u>17,689</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividend

Since the end of the previous financial year, the Company paid:

- an interim dividend of 5 sen per ordinary share less tax at 27% totalling RM3,840,000 (3.65 sen net per share) in respect of the year ended 31st December 2006 on 18th January 2007;
- a final tax exempt dividend of 5 sen per ordinary share totalling RM5,359,000 in respect of the year ended 31st December 2006 on 9th July 2007; and
- an interim dividend of 5 sen per ordinary share less tax at 26% totalling RM3,983,000 (3.70 sen net per share) in respect of the year ended 31st December 2007 on 18th January 2008.

The final and special dividends recommended by the Directors in respect of the year ended 31st December 2007 is 5 sen per ordinary share and 10 sen per ordinary share respectively less tax at 26% totalling RM3,983,000 (3.70 sen net per share) and RM7,966,000 (7.40 sen net per share) respectively.

Directors' Report (cont'd)



Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Datuk Arshad bin Ayub
Teh Wee Chye
Lee Soon Lee
Tan Sri Hamzah bin Abu Samah
Dato' Hj Shaharuddin bin Hj Haron
Geh Cheng Hooi
Quah Ban Lee
Dato' Ho Ung Hun (deceased on 4th February 2008)

Directors' Interests

The interests and deemed interests in the shares and options of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Company – Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	456,500	-	-	456,500
Lee Soon Lee	6,000	-	-	6,000
Tan Sri Datuk Arshad bin Ayub	5,194,085	-	(1,000,000)	4,194,085
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	-	400,000
Quah Ban Lee	35,000	200,000	-	235,000
Deemed interest				
Teh Wee Chye	29,858,483	-	-	29,858,483
Tan Sri Datuk Arshad bin Ayub	2,187,600	340,000	(133,600)	2,394,000
Geh Cheng Hooi	-	3,000	-	3,000
Subsidiary company				
- Dindings Soya & Multifeeds Sdn. Berhad				
Deemed interest				
Teh Wee Chye	4,185,000	-	-	4,185,000
- Muda Fibre Manufacturing Sdn. Bhd.				
Deemed interest				
Teh Wee Chye	1,000,000	-	-	1,000,000

Directors' Report (cont'd)

Directors' interests (cont'd)

	Number of options over ordinary shares of RM1 each			
	At 1.1.2007	Granted	Exercised	At 31.12.2007
Company – Malayan Flour Mills Berhad				
Quah Ban Lee	200,000	-	(200,000)	-

By virtue of his interest in the shares of the Company, Mr. Teh Wee Chye is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Malayan Flour Mills Berhad has an interest.

None of the other Directors holding office at 31st December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with Director or with a firm of which a Director is a member, or with a company in which the Director has a substantial financial interest other than a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme ("ESOS").

Issue of shares

During the financial year, the Company issued 2,426,000 new ordinary shares of RM1 each for cash arising from the exercise of employees' share options at the option price ranging between RM1.58 and RM2.04 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.



Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

At an extraordinary meeting held on 13th May 2004, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company. This ESOS was implemented on 28th May 2004 and expired on 27th May 2007.

The salient features of the ESOS are, *inter alia* as follows:

- i) Eligible employees are those who have been in service with the Group for a continuous period of at least one year for Malaysian employees (including Executive Directors) and at least three continuous years of service with the Group for non-Malaysian employees. An Executive Director of the Company shall only be eligible to participate in the Scheme upon approval given in general meeting.
- ii) An option granted may be exercised by the grantee by notice in writing to the Option Committee from time to time during the option period in respect of all or part of the option shares from the commencement date on 28th May 2004 to 27th May 2007. Where part of the option shares are exercised, the number shall not be less than 100 and shall be in multiple of 100.
- iii) The allocation of option shares to Executive Directors and senior management shall not in aggregate exceed 50% of the option shares available under the scheme. In addition, not more than 10% of the option shares available under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.
- iv) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.

The persons to whom the options have been granted have no rights to participate by virtue of the options in any share issue of any other company.

Directors' Report (cont'd)

Options granted over unissued shares (cont'd)

The options offered to take up unissued ordinary shares of RM1 each and the exercise prices are as follows:

Date of Offer	Exercise Price	Number of options over ordinary shares of RM1 each				At 31.12.2007
		At 1.1.2007	Granted	Exercised	Forfeited	
28.05.2004	RM1.58	2,073,000	-	(1,601,000)	(472,000)	-
14.04.2006	RM1.58	150,000	-	(130,000)	(20,000)	-
22.06.2006	RM1.67	220,000	-	(220,000)	-	-
01.07.2006	RM1.75	2,000	-	(2,000)	-	-
02.09.2006	RM1.85	50,000	-	-	(50,000)	-
19.09.2006	RM1.91	50,000	-	(50,000)	-	-
03.01.2007	RM2.04	-	64,000	(50,000)	(14,000)	-
02.02.2007	RM2.03	-	385,000	(312,000)	(73,000)	-
06.02.2007	RM2.03	-	9,000	-	(9,000)	-
07.02.2007	RM2.03	-	5,000	-	(5,000)	-
01.03.2007	RM2.02	-	14,000	(14,000)	-	-
27.03.2007	RM1.97	-	5,000	-	(5,000)	-
17.04.2007	RM1.99	-	5,000	-	(5,000)	-
24.04.2007	RM1.94	-	14,000	(14,000)	-	-
03.05.2007	RM1.95	-	14,000	(14,000)	-	-
08.05.2007	RM1.98	-	5,000	(5,000)	-	-
15.05.2007	RM2.00	-	14,000	(14,000)	-	-
		2,545,000	534,000	(2,426,000)	(653,000)	-

The Company has been granted exemption by the Companies Commission of Malaysia from the disclosure requirements pursuant to Section 169(11) of the Companies Act, 1965 to that of only disclosing options granted to employees to take up 100,000 or more ordinary shares under the ESOS.

The employee granted with 100,000 or more options under the ESOS during the financial year was as follows:

	Exercise Price	Grant Date	Expiry Date	Number of options over ordinary shares of RM1 each			
				At 1.1.2007	Granted	Exercised	At 31.12.2007
Lim Pang Boon	RM2.03	2.2.2007	27.5.2007	-	110,000	(110,000)	-

Directors' Report (cont'd)



Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31st December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.



Directors' Report (cont'd)

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATUK ARSHAD BIN AYUB

TEH WEE CHYE

Kuala Lumpur
2nd April 2008

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965



In the opinion of the Directors, the financial statements set out on pages 47 to 109 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATUK ARSHAD BIN AYUB

TEH WEE CHYE

Kuala Lumpur
2nd April 2008



Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Quah Ban Lee**, the Director primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 47 to 109 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 2nd April 2008.

QUAH BAN LEE

Before me,

Ahmad B. Laya (W259)
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors

to the Members of Malayan Flour Mills Berhad



We have audited the financial statements set out on pages 47 to 109. The preparation of the financial statements is the responsibility of the Company's Directors. The financial statements of the Group and the Company as at 31st December 2006 were audited by another chartered firm of accountants, whose report dated 16th April 2007, expressed an unqualified opinion on those statements.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31st December 2007 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 7 to the financial statements and we have considered their financial statements and, where audited, the auditors' reports thereon.

Report of the Auditors (cont'd)

to the Members of Malayan Flour Mills Berhad

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

CHONG DEE SHIANG

Partner
Approval Number: 2782/09/08(J)

Kuala Lumpur
2nd April 2008

Balance Sheets

at 31st December 2007



	Note	Group		Company	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
Assets					
Property, plant and equipment	3	180,817	194,242	64,460	64,972
Intangible assets	4	3,953	2,966	1,902	2,551
Prepaid lease payments	5	13,928	15,104	3,570	3,737
Investment properties	6	5,733	5,790	5,462	5,519
Investments in subsidiaries	7	-	-	149,316	149,316
Investments in associates	8	870	972	*	*
Other investments	9	112	597	60	60
Deferred tax assets	10	1,828	2,017	-	-
Total non-current assets		207,241	221,688	224,770	226,155
Receivables, deposits and prepayments	11	187,501	140,195	134,212	110,067
Inventories	12	284,564	233,962	80,945	95,230
Current tax assets		495	948	-	389
Cash and cash equivalents	13	134,246	54,661	27,271	8,432
Total current assets		606,806	429,766	242,428	214,118
Total assets		814,047	651,454	467,198	440,273
Equity					
Share capital		107,645	105,219	107,645	105,219
Reserves		238,652	207,834	194,256	184,184
Total equity attributable to shareholders of the Company		346,297	313,053	301,901	289,403
Minority interest		32,851	29,612	-	-
Total equity	14	379,148	342,665	301,901	289,403

* denotes RM4

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Balance Sheets (cont'd)

at 31st December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
Liabilities					
Deferred tax liabilities	10	6,638	7,686	6,638	7,686
Total non-current liabilities		6,638	7,686	6,638	7,686
Payables and accruals	15	87,366	57,912	41,662	26,371
Loans and borrowings	16	335,135	236,903	112,272	112,973
Current tax liabilities		1,777	2,448	742	-
Dividend payable		3,983	3,840	3,983	3,840
Total current liabilities		428,261	301,103	158,659	143,184
Total liabilities		434,899	308,789	165,297	150,870
Total equity and liabilities		814,047	651,454	467,198	440,273

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Income Statements

for the year ended 31st December 2007



		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue		1,031,183	794,226	303,023	222,874
Cost of goods sold		(872,813)	(671,807)	(234,481)	(173,995)
Gross profit		158,370	122,419	68,542	48,879
Other income		6,311	13,316	7,922	14,368
Distribution and selling expenses		(62,864)	(58,584)	(23,902)	(19,044)
Administrative expenses		(27,990)	(25,892)	(16,432)	(15,173)
Other expenses		(2,188)	(2,120)	(8,194)	(14,753)
Results from operating activities		71,639	49,139	27,936	14,277
Interest expense		(13,350)	(9,010)	(3,616)	(3,578)
Interest income		5,868	3,858	345	322
Operating profit	17	64,157	43,987	24,665	11,021
Share of loss after tax of equity accounted associates		(172)	(505)	-	-
Profit before tax		63,985	43,482	24,665	11,021
Tax expense	20	(10,676)	(10,606)	(6,976)	(4,338)
Profit for the year		53,309	32,876	17,689	6,683
Attributable to:					
Shareholders of the Company		46,591	28,301		
Minority interest		6,718	4,575		
Profit for the year		53,309	32,876		
Basic earnings per ordinary share (sen)	21	43.54	28.47		
Diluted earnings per ordinary share (sen)	21	-	28.21		

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31st December 2007

Group	Note	Attributable to shareholders of the Company						Total RM'000	Minority interest RM'000	Total equity RM'000	
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Other capital reserves RM'000	Share option reserve RM'000	Translation reserve RM'000				
											Retained earnings RM'000
At 1st January 2006		95,763	47,627	19,310	7,673	-	(2,319)	118,739	286,793	27,817	314,610
Foreign exchange translation differences		-	-	-	-	-	(9,368)	-	(9,368)	(1,666)	(11,034)
Net loss recognised directly in equity		-	-	-	-	-	(9,368)	-	(9,368)	(1,666)	(11,034)
Profit for the year		-	-	-	-	-	-	28,301	28,301	4,575	32,876
Total recognised income and expense for the year		-	-	-	-	-	(9,368)	28,301	18,933	2,909	21,842
Issue of shares: - Special issue for cash	14	5,000	3,850	-	-	-	-	-	8,850	-	8,850
Share-based payments		-	-	-	-	170	-	-	170	-	170
Share options exercised	14	4,456	2,609	-	-	(22)	-	-	7,043	-	7,043
Share issuance expenses		-	(56)	-	-	-	-	-	(56)	-	(56)
Dividends to shareholders		-	-	-	-	-	-	(8,680)	(8,680)	-	(8,680)
Dividend to minority interests		-	-	-	-	-	-	-	-	(1,114)	(1,114)
At 31st December 2006		105,219	54,030	19,310	7,673	148	(11,687)	138,360	313,053	29,612	342,665

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Statement of Changes in Equity (cont'd)

for the year ended 31st December 2007



		Attributable to shareholders of the Company									
		Non-distributable					Distributable				
Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Other capital reserves RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1st January 2007		105,219	54,030	19,310	7,673	148	(11,687)	138,360	313,053	29,612	342,665
Foreign exchange translation differences		-	-	-	-	-	(8,156)	-	(8,156)	(1,414)	(9,570)
Net loss recognised directly in equity		-	-	-	-	-	(8,156)	-	(8,156)	(1,414)	(9,570)
Profit for the year		-	-	-	-	-	-	46,591	46,591	6,718	53,309
Total recognised income and expense for the year		-	-	-	-	-	(8,156)	46,591	38,435	5,304	43,739
Share-based payments		-	-	-	-	93	-	-	93	-	93
Share options exercised	14	2,426	1,832	-	-	(200)	-	-	4,058	-	4,058
Reversal of share-based payments upon maturity of ESOS		-	-	-	-	(41)	-	41	-	-	-
Subscription of shares in a subsidiary		-	-	-	-	-	-	-	-	10	10
Dividends to shareholders		-	-	-	-	-	-	(9,342)	(9,342)	-	(9,342)
Dividend to minority interests		-	-	-	-	-	-	-	-	(2,075)	(2,075)
At 31st December 2007		107,645	55,862	19,310	7,673	-	(19,843)	175,650	346,297	32,851	379,148

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Statement of Changes in Equity (cont'd)

for the year ended 31st December 2007

Company	Note	Non-distributable				Distributable	
		Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000
At 1st January 2006		95,763	47,627	19,310	-	112,693	275,393
Profit for the year		-	-	-	-	6,683	6,683
Issue of shares:							
- Special issue of cash	14	5,000	3,850	-	-	-	8,850
Share-based payments		-	-	-	170	-	170
Share options exercised	14	4,456	2,609	-	(22)	-	7,043
Share issuance expenses		-	(56)	-	-	-	(56)
Dividends to shareholders		-	-	-	-	(8,680)	(8,680)
At 31st December 2006		105,219	54,030	19,310	148	110,696	289,403
Profit for the year		-	-	-	-	17,689	17,689
Share-based payments		-	-	-	93	-	93
Share options exercised	14	2,426	1,832	-	(200)	-	4,058
Reversal of share-based payment upon maturity of ESOS		-	-	-	(41)	41	-
Dividends to shareholders		-	-	-	-	(9,342)	(9,342)
At 31st December 2007		107,645	55,862	19,310	-	119,084	301,901

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31st December 2007



	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Cash flows from operating activities					
Profit before tax		63,985	43,482	24,665	11,021
<i>Adjustments for:</i>					
Allowance for diminution in quoted investment written back		-	(1)	-	(1)
Impairment loss on investment in subsidiaries		-	-	-	1,300
Impairment loss on property, plant and equipment		-	709	-	-
Amortisation of intangible assets	4	972	1,199	853	1,116
Amortisation of prepaid lease payments	5	615	625	167	167
Depreciation of investment properties	6	57	57	57	57
Depreciation of property, plant and equipment	3	21,056	19,932	5,236	5,090
Dividend income		-	-	(5,801)	(3,801)
Interest expense		13,350	9,010	3,616	3,578
Gain on disposal of property, plant and equipment		(954)	(8,674)	(141)	(8,480)
Gain on disposal of quoted investment		(484)	(2)	-	(2)
Interest income		(5,868)	(3,858)	(345)	(322)
Inventories written off		-	292	-	-
Property, plant and equipment written off		63	29	-	29
Reversal of impairment loss upon disposal of property, plant and equipment		(50)	-	-	-
Share-based payments		93	170	93	170
Share of loss of equity accounted associates		172	505	-	-

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Cash Flow Statements (cont'd)

for the year ended 31st December 2007

Note	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Cash flows from operating activities (cont'd)				
Unrealised loss/(gain) on foreign exchange	(405)	94	-	-
Operating profit before changes in working capital	92,602	63,569	28,400	9,922
Changes in working capital:				
Inventories	(56,035)	(104,487)	14,285	(42,383)
Payables and accruals	30,437	(31,893)	15,291	(19,703)
Receivables, deposit and prepayments	(49,763)	6,567	(24,145)	9,054
Cash generated from/(used in) operations	17,241	(66,244)	33,831	(43,110)
Interest paid	(13,350)	(9,010)	(3,616)	(3,578)
Interest received	5,868	3,858	345	322
Tax paid	(11,667)	(7,970)	(6,634)	(3,178)
Net cash (used in)/generated from operating activities	(1,908)	(79,366)	23,926	(49,544)
Cash flows from investing activities				
Acquisition of intangible assets	(1,992)	(1,154)	(204)	(1,102)
Acquisition of property, plant and equipment	(11,679)	(25,426)	(4,744)	(7,409)
Dividend received	-	-	5,542	3,465
Subscription of shares in an associate	-	*	-	*
Subscription of shares in a subsidiary by minority interest	10	-	-	-
Proceeds from disposal of property, plant and equipment	1,065	11,684	161	11,398
Proceeds from disposal of quoted investment	966	7	-	7
Net cash (used in)/generated from investing activities	(11,630)	(14,889)	755	6,359

* denotes RM4

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Cash Flow Statements (cont'd)

for the year ended 31st December 2007



Note	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Cash flows from financing activities				
Dividends paid to minority shareholders	(2,075)	(1,114)	-	-
Dividends paid to shareholders of the Company	(9,199)	(8,287)	(9,199)	(8,287)
Proceeds from issuance of shares	4,058	15,893	4,058	15,893
Proceeds from/(repayment of) loans and borrowings	103,992	78,076	(647)	32,111
Share issue expenses	-	(56)	-	(56)
Net cash generated from/(used in) financing activities	96,776	84,512	(5,788)	39,661
Net increase/(decrease) in cash and cash equivalent	83,238	(9,743)	18,893	(3,524)
Effect of exchange rate fluctuations on cash held	(3,599)	(4,116)	-	-
Cash and cash equivalent at 1st January	54,607	68,466	8,378	11,902
Cash and cash equivalent at 31st December	134,246	54,607	27,271	8,378

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Note	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	13	18,964	11,124	6,971
Deposit placed with licensed banks	13	115,282	43,537	20,300
Unsecured bank overdraft	16	-	(54)	-
		134,246	54,607	27,271
				8,378

The notes set out on pages 56 to 109 are an integral part of these financial statements.

Notes to the Financial Statements

Malayan Flour Mills Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office and principal place of business

22nd Floor, Wisma MCA
Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31st December 2007 comprise the Company and its subsidiaries and the Group's interest in associates.

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The financial statements were approved by the Board of Directors on 2nd April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

Notes to the Financial Statements (cont'd)



1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The MASB has also issued the following FRSs and Interpretations that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, <i>Cash Flow Statements</i>	1st July 2007
FRS 111, <i>Construction Contracts</i>	1st July 2007
FRS 112, <i>Income Taxes</i>	1st July 2007
FRS 118, <i>Revenue</i>	1st July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1st July 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1st July 2007
FRS 134, <i>Interim Financial Reporting</i>	1st July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1st July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1st July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1st July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1st July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1st July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1st July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1st July 2007

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1st January 2008.

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

In this set of financial statements, the Group has adopted FRS 117, *Leases* and FRS 124, *Related Party Disclosure* which are effective for annual periods beginning on or after 1st October 2006. There is no material impact on the financial statements of the Group and the Company except for the adoption of FRS 117, *Leases* which requires certain comparatives to be reclassified as set out in Note 27.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 10 - recognition of unutilised tax losses and capital allowances.



2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 27).

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associates, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iii) *Changes in Group composition*

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When the group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) *Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently report profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated at average exchange rates for the year which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain properties were revalued in 1983 and no later valuation has been recorded for these property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

(i) *Recognition and measurement (cont'd)*

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.



2. Significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	10 and 50 years or over lease period, whichever is shorter
• jetty	50 years
• plant, machinery, fixtures and equipment	4 and 10 years
• motor vehicles and boats	5 and 10 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Leased assets

Operating lease

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as a finance lease and had recognised the amount of prepaid lease payments as property within property, plant and equipment. With the adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

The Group had previously revalued certain leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

Leasehold land are amortised over the lease term of between 30 to 99 years.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (*cont'd*)

(e) Intangible assets

(i) *Computer software*

Computer software acquired by the Group is stated at cost less accumulated amortisation and impairment loss, if any.

The cost capitalised includes expenditures that are directly attributable to the acquisition of the software licenses and any other development costs directly attributable to the preparation of the computer software for its intended use.

(ii) *Subsequent expenditure*

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) *Amortisation*

Amortisation of computer software is charged to the income statements on a straight-line basis over its estimated useful lives. Computer software is amortised from the date that it is available for use.

The estimated useful life of computer software is 4 years.



2. Significant accounting policies (cont'd)

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment properties

(i) *Investment properties carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(c).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(g) Investments properties (cont'd)

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of semi-processed goods and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of broiler inventories includes original purchase price of day-old chicks plus all growing costs. Growing costs include cost of feed, direct labour and an appropriate portion of farm overheads.

Cost of hatching eggs includes costs of direct materials, direct labour and a proportion of overhead cost.

Poultry parent inventories are valued at the lower of depreciated cost and net realisable value. Cost includes original purchase price of breeder birds plus a proportion of assigned growing costs. Assigned growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



2. Significant accounting policies (cont'd)

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(l) Share capital

Share issue expenses

Incremental costs directly attributable to the issue of shares classified as equity are recognised as a deduction from equity.

(m) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The fair value of share options granted at grant date to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.



2. Significant accounting policies (cont'd)

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(q) Revenue recognition

(i) Goods sold

Revenue from sale of goods and services are measured at the fair value of the consideration receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from jetty is recognised at contractual rates based on the length of stay of vessel on an accrual basis.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(q) Revenue recognition (cont'd)

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



2. Significant accounting policies (cont'd)

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements (cont'd)

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Cost/Valuation										
At 1st January 2006										
- At cost		1,346	8,034	8,776	178,303	459	256,026	36,258	4,460	493,662
- At valuation		-	2,063	-	21,707	6,073	-	-	-	29,843
		1,346	10,097	8,776	200,010	6,532	256,026	36,258	4,460	523,505
Effect of adopting FRS 117	5	-	(10,097)	(8,776)	-	-	-	-	-	(18,873)
At 1st January 2006, restated		1,346	-	-	200,010	6,532	256,026	36,258	4,460	504,632
Additions		-	-	-	378	39	3,927	2,017	19,065	25,426
Disposals		-	-	-	(2,583)	-	(371)	(1,632)	-	(4,586)
Write-off		-	-	-	-	-	-	-	(29)	(29)
Transfers		-	-	-	1,504	291	11,053	-	(12,848)	-
Effect of movements in exchange rate		-	-	-	(3,899)	-	(3,989)	(688)	(14)	(8,590)
At 31st December 2006/ 1st January 2007, restated		1,346	-	-	195,410	6,862	266,646	35,955	10,634	516,853
Additions		-	-	-	407	-	2,514	675	8,083	11,679
Disposals		-	-	-	-	-	(8,642)	(3,048)	-	(11,690)
Write-off		-	-	-	(13)	-	(60)	-	-	(73)
Transfers		-	-	-	6,138	120	10,316	(899)	(15,675)	-
Effect of movements in exchange rate		-	-	-	(2,785)	-	(3,098)	(472)	(221)	(6,576)
At 31st December 2007		1,346	-	-	199,157	6,982	267,676	32,211	2,821	510,193

Notes to the Financial Statements (cont'd)



3. Property, plant and equipment (cont'd)

Group	Note	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Representing items at:										
- At cost		1,346	-	-	177,771	909	267,676	32,211	2,821	482,734
- At valuation		-	-	-	21,386	6,073	-	-	-	27,459
		1,346	-	-	199,157	6,982	267,676	32,211	2,821	510,193
Accumulated depreciation and impairment loss										
At 1st January 2006										
Accumulated depreciation		-	3,051	3,321	78,126	2,773	183,847	28,438	-	299,556
Accumulated impairment loss		-	-	-	311	-	14,377	-	-	14,688
		-	3,051	3,321	78,437	2,773	198,224	28,438	-	314,244
Effect of adopting FRS 117	5	-	(3,051)	(3,321)	-	-	-	-	-	(6,372)
At 1st January 2006, restated		-	-	-	78,437	2,773	198,224	28,438	-	307,872
Charge for the year		-	-	-	5,919	132	11,091	2,790	-	19,932
Impairment loss		-	-	-	-	-	709	-	-	709
Disposals		-	-	-	(730)	-	(290)	(1,546)	-	(2,566)
Effect of movements in exchange rate		-	-	-	(767)	-	(2,072)	(497)	-	(3,336)
At 31st December 2006, restated										
Accumulated depreciation		-	-	-	82,548	2,905	192,576	29,185	-	307,214
Accumulated impairment loss		-	-	-	311	-	15,086	-	-	15,397
		-	-	-	82,859	2,905	207,662	29,185	-	322,611

Notes to the Financial Statements (cont'd)

3. Property, plant and equipment (cont'd)

Group	Note	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Accumulated depreciation and impairment loss (cont'd)										
At 1st January 2007, restated										
Accumulated depreciation		-	-	-	82,548	2,905	192,576	29,185	-	307,214
Accumulated impairment loss		-	-	-	311	-	15,086	-	-	15,397
		-	-	-	82,859	2,905	207,662	29,185	-	322,611
Charge for the year		-	-	-	6,466	137	11,923	2,530	-	21,056
Reversal of impairment loss upon disposal		-	-	-	-	-	(50)	-	-	(50)
Disposals		-	-	-	-	-	(8,536)	(3,044)	-	(11,580)
Write off		-	-	-	-	-	(10)	-	-	(10)
Transfers		-	-	-	-	-	349	(349)	-	-
Effect of movements in exchange rate		-	-	-	(624)	-	(1,644)	(383)	-	(2,651)
At 31st December 2007										
Accumulated depreciation		-	-	-	88,390	3,042	194,658	27,939	-	314,029
Accumulated impairment loss		-	-	-	311	-	15,036	-	-	15,347
		-	-	-	88,701	3,042	209,694	27,939	-	329,376
Carrying amounts										
At 1st January 2006, restated		1,346	-	-	121,573	3,759	57,802	7,820	4,460	196,760
At 31st December 2006/ 1st January 2007, restated		1,346	-	-	112,551	3,957	58,984	6,770	10,634	194,242
At 31st December 2007		1,346	-	-	110,456	3,940	57,982	4,272	2,821	180,817

Notes to the Financial Statements (cont'd)



3. Property, plant and equipment (cont'd)

Company	Note	Long term leasehold land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in- progress RM'000	Total RM'000
Cost/Valuation								
At 1st January 2006								
- At cost		5,245	49,494	459	72,505	13,398	2,649	143,750
- At valuation		2,063	21,707	6,073	-	-	-	29,843
		7,308	71,201	6,532	72,505	13,398	2,649	173,593
Effect of adopting FRS 117	5	(7,308)	-	-	-	-	-	(7,308)
At 1st January 2006, restated		-	71,201	6,532	72,505	13,398	2,649	166,285
Additions		-	74	39	2,461	2,005	2,830	7,409
Disposals		-	(2,583)	-	(2)	(463)	-	(3,048)
Write-off		-	-	-	-	-	(29)	(29)
Transfers		-	(301)	290	4,646	-	(4,635)	-
At 31st December 2006/ 1st January 2007, restated		-	68,391	6,861	79,610	14,940	815	170,617
Additions		-	32	-	429	499	3,784	4,744
Disposals		-	-	-	(42)	(1,727)	-	(1,769)
Transfers		-	2,237	121	1,034	-	(3,392)	-
At 31st December 2007		-	70,660	6,982	81,031	13,712	1,207	173,592
Representing items at:								
- At cost		-	49,274	909	81,031	13,712	1,207	146,133
- At valuation		-	21,386	6,073	-	-	-	27,459
At 31st December 2007		-	70,660	6,982	81,031	13,712	1,207	173,592

Notes to the Financial Statements (cont'd)

3. Property, plant and equipment (*cont'd*)

Company (<i>cont'd</i>)	Note	Long term leasehold land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1st January 2006		2,347	26,136	2,773	62,215	10,618	-	104,089
Effect of adopting FRS 117	5	(2,347)	-	-	-	-	-	(2,347)
At 1st January 2006, restated		-	26,136	2,773	62,215	10,618	-	101,742
Charge for the year		-	1,387	132	2,214	1,357	-	5,090
Disposals		-	(730)	-	-	(457)	-	(1,187)
At 31st December 2006/ 1st January 2007, restated		-	26,793	2,905	64,429	11,518	-	105,645
Charge for the year		-	1,389	138	2,412	1,297	-	5,236
Disposals		-	-	-	(23)	(1,726)	-	(1,749)
At 31st December 2007		-	28,182	3,043	66,818	11,089	-	109,132
Carrying amounts								
At 1st January 2006, restated		-	45,065	3,759	10,290	2,780	2,649	64,543
At 31st December 2006/ 1st January 2007, restated		-	41,598	3,956	15,181	3,422	815	64,972
At 31st December 2007		-	42,478	3,939	14,213	2,623	1,207	64,460

3.1 Impairment loss

In the previous year, the Group assessed the recoverable amount of all the plant and machineries of certain subsidiaries and wrote down the carrying amount of certain plants and machineries by RM709,000 based on their recoverable scrap values.

3.2 Property, plant and equipment under the revaluation model

The Company's buildings and jetty were revalued on 1st January 1983 by independent professional qualified valuers using an open market value method.

The Company has availed itself to the transitional provision when the MASB first issued FRS 116₂₀₀₄, Property, Plant and Equipment in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

Notes to the Financial Statements (cont'd)



4. Intangible assets

	Computer softwares Group RM'000	Company RM'000
Cost		
At 1st January 2006	5,211	3,877
Additions	1,154	1,102
Effect of movements in exchange rates	(108)	-
At 31st December 2006/1st January 2007	6,257	4,979
Additions	1,992	204
Effect of movements in exchange rates	(77)	-
At 31st December 2007	8,172	5,183
Amortisation		
At 1st January 2006	2,161	1,312
Amortisation for the year	1,199	1,116
Effect of movements in exchange rates	(69)	-
At 31st December 2006/1st January 2007	3,291	2,428
Amortisation for the year	972	853
Effect of movements in exchange rates	(44)	-
At 31st December 2007	4,219	3,281
Carrying amounts		
At 1st January 2006	3,050	2,565
At 31st December 2006/1st January 2007	2,966	2,551
At 31st December 2007	3,953	1,902

4.1 Intangible assets

Intangible assets principally comprise expenditure that are directly attributable to the acquisition of the software licences and any other development costs directly attributable to the preparation of the computer software for its intended used.

4.2 Amortisation and impairment charge

The amortisation is allocated to the income statement on a straight-line basis over its estimated useful lives.

Notes to the Financial Statements (cont'd)

5. Prepaid lease payments

Group	Note	Leasehold land Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost				
At 1st January 2006		-	-	-
Effect of adopting FRS 117	3	10,330	8,543	18,873
Reclassification from receivables, deposits and prepayments	27	1,996	-	1,996
At 1st January 2006, restated		12,326	8,543	20,869
Additions		2,888	-	2,888
Disposal		-	(1,250)	(1,250)
Effect of movements in exchange rates		(895)	-	(895)
At 31st December 2006/1st January 2007, restated		14,319	7,293	21,612
Effect of movements in exchange rates		(789)	-	(789)
At 31st December 2007		13,530	7,293	20,823
Amortisation				
At 1st January 2006		-	-	-
Effect of adopting FRS 117	3	3,697	2,675	6,372
At 1st January 2006, restated		3,697	2,675	6,372
Amortisation for the year		442	183	625
Disposal		-	(193)	(193)
Effect of movements in exchange rates		(296)	-	(296)
At 31st December 2006/1st January 2007, restated		3,843	2,665	6,508
Amortisation for the year		429	186	615
Effect of movements in exchange rates		(228)	-	(228)
At 31st December 2007		4,044	2,851	6,895
Carrying amounts				
At 1st January 2006, restated		8,629	5,868	14,497
At 31st December 2006/1st January 2007, restated		10,476	4,628	15,104
At 31st December 2007		9,486	4,442	13,928

Notes to the Financial Statements (cont'd)



5. Prepaid lease payments (cont'd)

Company	Note	Unexpired period more than 50 years RM'000
Cost		
At 1st January 2006		-
Effect of adopting FRS 117	3	7,308
At 1st January 2006, restated		7,308
Disposals		(1,250)
At 31st December 2006/1st January 2007, restated/31st December 2007		6,058
Amortisation		
At 1st January 2006		-
Effect of adopting FRS 117	3	2,347
At 1st January 2006, restated		2,347
Amortisation for the year		167
Disposals		(193)
At 31st December 2006/1st January 2007, restated		2,321
Amortisation for the year		167
At 31st December 2007		2,488
Carrying amounts		
At 1st January 2006, restated		4,961
At 31st December 2006/1st January 2007, restated		3,737
At 31st December 2007		3,570

5.1 Legal titles

Included in prepaid lease payments is leasehold land with a carrying amount of RM1,847,000 (2006 - RM1,897,000) of the Group of which legal titles of these land have not been transferred to the respective subsidiaries.

Notes to the Financial Statements (cont'd)

6. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation			
At 1st January 2006/31st December 2006/ 31st December 2007	3,943	2,836	6,779
Representing item at:			
- At cost	369	1,096	1,465
- At valuation	3,574	1,740	5,314
	3,943	2,836	6,779
Accumulated depreciation			
At 1st January 2006	-	932	932
Depreciation for the year	-	57	57
At 31st December 2006/1st January 2007	-	989	989
Depreciation for the year	-	57	57
At 31st December 2007	-	1,046	1,046
Carrying amounts			
At 1st January 2006	3,943	1,904	5,847
At 31st December 2006/1st January 2007	3,943	1,847	5,790
At 31st December 2007	3,943	1,790	5,733

Notes to the Financial Statements (cont'd)



6. Investment properties (cont'd)

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation			
At 1st January 2006/31st December 2006/ 31st December 2007	3,672	2,836	6,508
Representing item at:			
- At cost	98	1,096	1,194
- At valuation	3,574	1,740	5,314
	3,672	2,836	6,508
Accumulated depreciation			
At 1st January 2006	-	932	932
Depreciation for the year	-	57	57
At 31st December 2006/1st January 2007	-	989	989
Depreciation for the year	-	57	57
At 31st December 2007	-	1,046	1,046
Carrying amounts			
At 1st January 2006	3,672	1,904	5,576
At 31st December 2006/1st January 2007	3,672	1,847	5,519
At 31st December 2007	3,672	1,790	5,462

The fair value of the investment properties for the Group and the Company as at 31st December 2007 approximate RM29,400,000 and RM28,800,000 respectively.

Notes to the Financial Statements (cont'd)

6. Investment properties (cont'd)

The following are recognised in the income statement in respect of investment properties:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Rental income	208	205	243	240
Direct operating expenses of investment properties:				
- revenue generating investment properties	44	53	44	53

Certain investment properties were revalued on 1 January 1983 by independent professional qualified valuers using open market value method.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116²⁰⁰⁴, Property, Plant and Equipment in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

7. Investments in subsidiaries

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares at cost	203,383	203,383
Less: Accumulated impairment losses	(54,067)	(54,067)
	149,316	149,316

Notes to the Financial Statements (cont'd)



7. Investments in subsidiaries (cont'd)

The subsidiaries, all of which are incorporated in Malaysia except as disclosed otherwise, comprise:

Name of subsidiary	Principal activities	Effective ownership interest	
		2007 %	2006 %
Dindings Soya & Multifeeds Sdn. Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	70
Syarikat Pengangkutan Lumut Sdn. Bhd.	Transport management. The Company ceased its operations in 2006	100	100
Dindings Poultry Processing Sdn. Bhd.	Processing and sale of poultry products	95	95
Dindings Broiler Breeder Farm Sdn. Bhd.	Breeding and sale of day-old chicks	100	100
MFM Feedmill Sdn. Bhd.	Manufacture and sale of animal feeds and sale of related raw materials	100	100
Dindings Poultry Development Centre Sdn. Bhd.	Poultry grow-out farm and training and research centre and letting of property	100	100
Semakin Dinamik Sdn. Bhd.	Breeding and sale of day-old chicks and eggs	100	100
Vimaflour Limited* (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
Muda Fibre Manufacturing Sdn. Bhd.	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products. The Company ceased its operations in 2004	60	60
MFM Property Sdn. Bhd.	Dormant	100	100

Notes to the Financial Statements (cont'd)

7. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2007 %	2006 %
Dindings Grand Parent Farm Sdn. Bhd.	Dormant	100	100
MFM International Ltd (incorporated in British Virgin Islands) #	Investment holding	100	100
Subsidiary of Dindings Poultry Processing Sdn. Bhd.			
Dindings Trading Sdn. Bhd.	Dormant	48	47
Subsidiary of MFM International Ltd.			
Mekong Flour Mills Ltd* (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	100	100

* Audited by other member firms of KPMG International

Not audited by KPMG

During the year, Dindings Poultry Processing Sdn. Bhd. ("DPP") has further subscribed for 10,199 ordinary shares of RM1.00 each in Dindings Trading Sdn. Bhd. ("DTSB") at an issue price of RM1.00 per share. This has increased DPP's direct interest in DTSB from 50% to 51%. In the previous year, although the Group owned less than half of the voting power, DTSB was deemed to be a subsidiary by virtue of the ability of the Group to govern its financial and operating policies.

The impairment losses recognised represents the allowance made to adjust the carrying amount of certain subsidiaries to their estimated recoverable amount.

Notes to the Financial Statements (cont'd)



8. Investments in associates

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares at cost	2,800	2,800	*	*
Share of post-acquisition reserves	(1,930)	(1,828)	-	-
	870	972	*	*

In 2006, the Company acquired 40% equity interest in Innosolutions Sdn. Bhd. through the subscription of 4 new ordinary shares of RM1.00 each for a total cash consideration of RM4.

* denotes RM4

Summary financial information on associates:

Group	Country incorporation	Effective ownership interest		Revenues (100%) RM'000	Profit / (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
		2007 %	2006 %				
2007							
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	28	61,858	(368)	10,042	(7,981)
Innosolutions Sdn. Bhd. ++	Malaysia	40	40	300	112	122	(10)
				62,158	(256)	10,164	(7,991)
2006							
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	28	66,303	(1,262)	9,755	(7,325)
Innosolutions Sdn. Bhd. ++	Malaysia	40	40	-	-	*	*
				66,303	(1,262)	9,755	(7,325)

* denotes RM10

+ Held through Dindings Soya & Multifeeds Sdn. Berhad

++ Held through Malayan Flour Mills Berhad

Notes to the Financial Statements (cont'd)

9. Other investments

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
At cost:				
Quoted shares in Malaysia	-	1,604	-	-
Less: Allowance for diminution in value	-	(1,122)	-	-
	-	482	-	-
Unquoted shares in Malaysia	60	60	60	60
Unquoted shares outside Malaysia	5,134	5,137	5,082	5,082
Less: Allowance for diminution in value	(5,082)	(5,082)	(5,082)	(5,082)
	112	597	60	60
Market value:				
Quoted shares in Malaysia	-	706	-	-

Included in unquoted shares outside Malaysia of RM5,082,000 (2006 – RM5,082,000) is an investment which represents a 12% interest in the registered capital of Shanghai Malayan Flour & Foods Co. Ltd (SMFF), a foreign corporation registered in the People's Republic of China. The investment is held in United States Dollar. SMFF is currently being liquidated.

Notes to the Financial Statements (cont'd)



10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	(262)	(262)	6,140	6,551	5,878	6,289
Revaluation on property, plant and equipment	-	-	3,566	3,705	3,566	3,705
Provisions	(3,359)	(3,050)	-	-	(3,359)	(3,050)
Tax loss carry-forwards	(1,275)	(1,275)	-	-	(1,275)	(1,275)
Tax (assets)/liabilities	(4,896)	(4,587)	9,706	10,256	4,810	5,669
Set off	3,068	2,570	(3,068)	(2,570)	-	-
Net tax (assets)/liabilities	(1,828)	(2,017)	6,638	7,686	4,810	5,669
Company						
Property, plant and equipment	-	-	4,382	4,794	4,382	4,794
Revaluation on property, plant and equipment	-	-	3,566	3,705	3,566	3,705
Provisions	(1,310)	(813)	-	-	(1,310)	(813)
Tax (assets)/liabilities	(1,310)	(813)	7,948	8,499	6,638	7,686
Set off	1,310	813	(1,310)	(813)	-	-
Net tax (assets)/liabilities	-	-	6,638	7,686	6,638	7,686

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM'000	2006 RM'000
Deductible/(Taxable) temporary differences	3,603	(7,591)
Unutilised capital allowance	56,555	54,002
Tax loss carry-forwards	58,990	52,200
	119,148	98,611
Tax at 26% (2006: 27%)	30,978	26,625

Notes to the Financial Statements (cont'd)

10. Deferred tax assets and liabilities (cont'd)

Unrecognised deferred tax assets (cont'd)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

11. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current					
Trade receivables		193,744	148,147	68,044	46,797
Less: Allowance for doubtful debts		(14,284)	(14,218)	(3,011)	(3,011)
		179,460	133,929	65,033	43,786
Amount due from subsidiaries	11.1	-	-	87,531	76,595
Less: Allowance for doubtful debts		-	-	(21,630)	(13,436)
		-	-	65,901	63,159
Other receivables		4,793	5,515	1,827	2,047
Less: Allowance for doubtful debts		-	(2,321)	-	(153)
		4,793	3,194	1,827	1,894
Deposits		799	900	438	407
Prepayments		2,449	2,172	1,013	821
		3,248	3,072	1,451	1,228
		187,501	140,195	134,212	110,067

11.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

Notes to the Financial Statements (cont'd)



12. Inventories

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Raw materials	251,276	196,405	73,694	87,048
Work-in-progress	90	420	10	-
Finished goods	13,899	17,532	2,727	3,883
Poultry livestock and hatching eggs	7,411	8,193	-	-
Consumables	11,888	11,412	4,514	4,299
	284,564	233,962	80,945	95,230

13. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	115,282	43,537	20,300	6,800
Cash and bank balances	18,964	11,124	6,971	1,632
	134,246	54,661	27,271	8,432

Notes to the Financial Statements (cont'd)

14. Share capital and reserves

14.1 Share capital

	Group and Company			
	Amount 2007 RM'000	Number of shares 2007 '000	Amount 2006 RM'000	Number of shares 2006 '000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares at RM1 each				
At 1st January	105,219	105,219	95,763	95,763
Issued during the year for cash pursuant to:				
- Special issue to approved Bumiputra investors	-	-	5,000	5,000
- Employees' Share Option Scheme ("ESOS")	2,426	2,426	4,456	4,456
	2,426	2,426	9,456	9,456
At 31st December	107,645	107,645	105,219	105,219

14.2 Revaluation reserve

The revaluation reserve relates to surplus on revaluation of property, plant and equipment in 1983.

14.3 Other capital reserve

The other capital reserve comprises an amount transferred from retained earnings arising from the issuance of bonus shares by a subsidiary.

14.4 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Notes to the Financial Statements (cont'd)



14. Share capital and reserves (cont'd)

14.5 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.6 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31st December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31st December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31st December 2013, whichever is earlier.

15. Payables and accruals

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables		29,448	20,140	3,731	3,810
Amount due to subsidiaries	15.1	-	-	6,193	5,702
Other payables and accruals	15.2	57,918	37,772	31,738	16,859
		87,366	57,912	41,662	26,371

15.1 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, interest free and repayable on demand.

15.2 Other payables and accruals

Included in other payables of the Group and of the Company is an amount of RM3,241,000 (2006 – RM3,248,000) payable to Mr Teh Liang Teik, a former Director and Chairman of the Company as retirement gratuity and an amount of RM73,000 (2006 – RM80,000) payable to a related party, Indah Enterprise Sdn. Bhd. as rental for permit to use its trucks.

Notes to the Financial Statements (cont'd)

16. Loans and borrowings

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	164,360	149,436	112,272	112,919
Unsecured bank overdraft	-	54	-	54
Unsecured short term loans	170,775	87,413	-	-
	335,135	236,903	112,272	112,973

16.1 Terms and debts repayment schedule

	2007		2006	
	Year of maturity	Carrying amount due within 1 year RM'000	Year of maturity	Carrying amount due within 1 year RM'000
Group				
Unsecured bankers' acceptance/ Unsecured revolving credits denominated in RM	2008	164,360	2007	149,436
Unsecured bank overdraft denominated in RM	-	-	2007	54
Unsecured short term loans denominated in USD	2008	170,775	2007	87,413
		335,135		236,903
Company				
Unsecured bankers' acceptances/ Unsecured revolving credits denominated in RM	2008	112,272	2007	112,919
Unsecured bank overdraft denominated in RM	-	-	2007	54
		112,272		112,973

Notes to the Financial Statements (cont'd)



17. Operating profit

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Operating profit is arrived at after charging:				
Allowance for doubtful debts				
- amount due from subsidiaries	-	-	8,194	13,436
- others	185	1,380	-	3
Amortisation of intangible assets	972	1,199	853	1,116
Amortisation of prepaid lease payments	615	625	167	167
Auditors' remuneration:				
- Audit services				
Auditors of the Company	201	22	40	-
Other auditors	4	183	-	40
- Other services by auditors of the Company	25	-	-	-
Bad debts written off	168	195	166	-
Depreciation of investment properties	57	57	57	57
Depreciation of property, plant and equipment	21,056	19,932	5,236	5,090
Impairment loss:				
- property, plant and equipment	-	709	-	-
- subsidiary	-	-	-	1,300
Inventories written off	-	292	-	-
Personnel expenses (including key management personnel):				
- Contribution to Employees Provident Fund	5,620	5,865	2,731	2,861
- Wages, salaries and others	57,961	56,342	26,198	21,714
- Share-based payments	93	170	93	170
Property, plant and equipment written off	63	29	-	29
Realised loss on foreign exchange	319	809	-	-
Rental expenses on property leases	1,772	3,821	499	569
Unrealised loss on foreign exchange	-	94	-	-

Notes to the Financial Statements (cont'd)

17. Operating profit (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
and after crediting:				
Allowance for diminution in quoted investment written back	-	1	-	1
Allowance for slow moving inventories written back	-	2,261	-	-
Bad debts recovered	69	-	-	-
Dividends from subsidiaries (unquoted):				
- non tax exempt	-	-	960	1,200
- tax exempt			4,841	2,601
Gain on disposal of property, plant and equipment	954	8,674	141	8,480
Gain on disposal of quoted investments	484	2	-	2
Realised gain on foreign exchange	233	-	-	1
Rental income from:				
- investment properties	208	205	243	240
- others	137	95	570	568
Reversal of impairment loss on property, plant and equipment	50	-	-	-
Unrealised gain on foreign exchange	405	-	-	-

18. Share-based payments

On 28th May 2004, the Group established a share option programme that entitles eligible employees to purchase shares in the Company. In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

The share option arrangement was granted on 28th May 2004. As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

The share option is vested when it is granted to eligible employees according to the By-Laws of the ESOS. Eligible employees are those who have been in service with the Group for a continuous period of at least one year for Malaysian employees (including executive directors) and at least three continuous years of service with the Group for non-Malaysian employees. The ESOS has expired on 27th May 2007.

Notes to the Financial Statements (cont'd)



18. Share-based payments (cont'd)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (RM) 2007	Number of options (‘000) 2007	Weighted average exercise price (RM) 2006	Number of options (‘000) 2006
Outstanding at 1st January	1.60	2,545	1.58	6,812
Granted during the year	2.02	534	1.67	532
Forfeited during the year	1.68	(653)	1.58	(343)
Exercised during the year	1.67	(2,426)	1.58	(4,456)
Outstanding at 31st December	-	-	1.60	2,545
Exercisable at 31st December	-	-	1.60	2,545

During the year, 2,426,000 share options were exercised (2006 – 4,456,000). The weighted average share price for the year was RM1.67 (2006 – RM1.58).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial option pricing model, with the following inputs:

Fair value of share options and assumptions

	2007	2006
Fair value at grant date (RM)	0.17	0.32
Weighted average share price (RM)	2.13	1.95
Weighted average exercise price (RM)	2.02	1.68
Expected volatility (weighted average volatility)	27.75%	22.84%
Option life (expected weighted average life)	0.15 year	0.82 year
Expected dividends	3.88%	3.49%
Risk-free interest rate (based on Malaysian government bonds)	3.38%	3.85%

Employee expense

	Group and Company RM'000
Share options granted in 2006	170
Share options granted in 2007	93
Total expense recognised as share-based payments	263

Notes to the Financial Statements (cont'd)

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors				
- Fees	491	443	476	428
- Remuneration	3,260	2,130	3,138	2,011
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	136	71	136	71
Total short-term employee benefits	3,887	2,644	3,750	2,510
Share-based payments	-	66	-	66
	3,887	2,710	3,750	2,576

20. Tax expense

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax expense				
Malaysian - current year	8,267	4,687	8,024	3,475
- prior year	-	-	-	(181)
Overseas - current year	3,276	4,034	-	-
- prior year	15	-	-	-
Total current tax	11,558	8,721	8,024	3,294
Deferred tax expense				
Origination and reversal of temporary differences	(882)	1,885	(1,048)	1,044
Total deferred tax	(882)	1,885	(1,048)	1,044
Total tax expense	10,676	10,606	6,976	4,338

Notes to the Financial Statements (cont'd)



20. Tax expense (cont'd)

Recognised in the income statements

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit for the year	63,985	43,482	24,665	11,021
Total tax expense	(10,676)	(10,606)	(6,976)	(4,338)
Profit excluding tax	53,309	32,876	17,689	6,683
Tax at Malaysian tax rate of 27% (2006 – 28%)	15,691	12,175	6,659	3,086
Effect of tax rates in foreign jurisdictions	(7,349)	(3,113)	-	-
Effect of change in tax rate*	(145)	(145)	(145)	(235)
Non-deductible expenses	2,987	3,413	2,688	5,428
Tax exempt income	(1,769)	(4,185)	(1,307)	(3,086)
Tax incentives	(2,254)	(88)	-	(58)
Unrecognised deferred tax asset	4,353	3,345	-	-
Tax savings from group relief	(997)	(1,000)	(997)	(1,000)
Others	144	204	78	203
	10,661	10,606	6,976	4,338
Underprovision in prior years	15	-	-	-
	10,676	10,606	6,976	4,338

- * With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008. Consequently deferred tax assets and liabilities as at 31st December 2007 are measured using 26%.

A subsidiary of the Group which is outside Malaysia has been granted tax exemption for three years from the first profit making year in 2005 and entitled to a 50% reduction in income tax for the seven succeeding years from 2008 to 2014.

Notes to the Financial Statements (cont'd)

21. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31st December 2007 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2007 RM'000	2006 RM'000
Profit attributable to ordinary shareholders of the Company	46,591	28,301

Weighted average number of ordinary shares ('000)

	Group	
	2007	2006
Issued ordinary shares at 1st January	105,219	95,763
Effect of ordinary shares issued in pursuant to ESOS	1,798	3,453
Effect of special issue	-	199
Weighted average number of ordinary shares at 31st December	107,017	99,415
Basic earnings per ordinary share (sen)	43.54	28.47

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31st December 2007 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2007 RM'000	2006 RM'000
Profit attributable to ordinary shareholders (diluted)	46,591	28,301

Notes to the Financial Statements (cont'd)



21. Earnings per share (cont'd)

Weighted average number of ordinary shares diluted ('000)

	Group	
	2007	2006
Weighted average number of ordinary shares at 31st December	-	99,415
Effect of share options on issue	-	891
Weighted average number of ordinary shares (diluted) at 31st December	-	100,306

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	Group	
	2007	2006
Diluted earnings per ordinary share (sen)	-	28.21

There is no dilution of earning per ordinary share as at year end as the ESOS had expired on 27th May 2007.

22. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2007			
Interim 2007 ordinary	3.70	3,983	18th January 2008
Final 2006 ordinary (tax exempt)	5.00	5,359	9th July 2007
Total amount		9,342	
2006			
Interim 2006 ordinary	3.65	3,840	18th January 2007
Final 2005 ordinary (tax exempt)	5.00	4,840	3th July 2006
Total amount		8,680	

Notes to the Financial Statements (cont'd)

22. Dividends (cont'd)

After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final ordinary	3.70	3,983
Special ordinary	7.40	7,966
Total amount		11,949

23. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of deferred tax assets, investments in associates and related revenue and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group's operations comprise the following main business segments:

- | | |
|---|--|
| • Flour and trading in grains and other allied products | Milling and selling wheat flour and trading in grains and other allied products |
| • Feeds | Manufacture and sale of animal feeds and related raw materials |
| • Poultry integration | Processing and sale of poultry products, breeding and sale of day-old-chicks, sale of eggs and contract farming activities |

Notes to the Financial Statements (cont'd)



23. Segment reporting (cont'd)

2007	Flour and trading in grains and other allied products RM'000	Feeds RM'000	Poultry integration RM'000	Eliminations RM'000	Consolidated RM'000
<i>Business segments</i>					
Total external revenue	633,003	200,094	198,086	-	1,031,183
Inter-segment revenue	7,377	88,275	1,475	(97,127)	-
Total segment revenue	640,380	288,369	199,561	(97,127)	1,031,183
Segment result	80,820	955	(10,037)	-	71,738
Unallocated expenses					(99)
Results from operating activities					71,639
Interest income					5,868
Interest expense					(13,350)
Share of loss after tax of equity accounted associates					(172)
Tax expense					(10,676)
Profit for the year					53,309

Notes to the Financial Statements (cont'd)

23. Segment reporting (cont'd)

2006	Flour and trading in grains and other allied products RM'000	Feeds RM'000	Poultry integration RM'000	Eliminations RM'000	Consolidated RM'000
Business segments					
Total external revenue	485,069	128,704	180,453	-	794,226
Inter-segment revenue	5,751	62,056	5,511	(73,318)	-
Total segment revenue	490,820	190,760	185,964	(73,318)	794,226
Segment result	57,954	7,257	(15,766)	-	49,445
Unallocated expenses					(306)
Results from operating activities					49,139
Interest income					3,858
Interest expense					(9,010)
Share of loss after tax of equity accounted associates					(505)
Tax expense					(10,606)
Profit for the year					32,876

Notes to the Financial Statements (cont'd)



23. Segment reporting (cont'd)

	Flour and trading in grains and other allied products		Feeds		Poultry integration		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Segment assets	602,406	468,040	114,751	82,956	91,237	93,050	808,394	644,046
Investment in associates							870	972
Unallocated assets							4,783	6,436
Total assets							814,047	651,454
Segment liabilities	334,765	238,038	70,561	49,292	20,901	11,074	426,227	298,404
Unallocated liabilities							8,672	10,385
Total liabilities							434,899	308,789
Capital expenditure	8,971	19,105	2,019	930	2,681	6,545	13,671	26,580
Depreciation of property, plant and equipment	11,843	11,322	1,839	1,793	7,374	6,817	21,056	19,932
Amortisation of intangible assets	957	1,199	-	-	15	-	972	1,199
Amortisation of prepaid lease payments	562	580	-	-	53	45	615	625
Impairment loss on property, plant and equipment recognised directly in:								
- income statements	-	-	-	-	-	632	-	632
- unallocated							-	77
							-	709
Non-cash expenses other than depreciation and amortisation	229	275	185	867	2	1,082	416	2,224

Notes to the Financial Statements (cont'd)

23. Segment reporting (cont'd)

	Malaysia		Vietnam		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Geographical segments						
Revenue from external customers	693,827	526,280	337,356	267,946	1,031,183	794,226
Segment assets	463,638	411,128	350,409	240,326	814,047	651,454
Capital expenditure	9,648	14,964	4,023	11,616	13,671	26,580

24. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is addressed by the Credit Committee that sets policies, approves credit evaluations and institutes mitigating actions. New customers are subject to credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents and facilities deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group and the Company's exposure to interest rate risk relates primarily to their borrowings and deposits with licensed banks.

The Group and the Company's bank borrowings are subject to interest based on floating rates and interest bearing deposits are based on fixed rates. Market interest rates movements are monitored with the view to ensuring that the most competitive rates are secured and where appropriate, borrowing arrangements are restructured or reduced. The Group and the Company's interest bearing assets are mainly placed in short term deposits with reputable financial institutions.

Notes to the Financial Statements (cont'd)



24. Financial instruments (cont'd)

Effective interest rates and repricing analysis

In respect of financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature, or may reprice.

Group 2007	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
Fixed rate instruments			
Deposits with licensed banks	2.8 - 8.5	115,282	115,282
Unsecured bankers' acceptances/ Unsecured revolving credits	3.6 - 4.4	164,360	164,360
Unsecured short term loans	5.7 - 6.8	170,775	170,775
2006			
Fixed rate instruments			
Deposits with licensed banks	3.3 - 9.0	43,537	43,537
Unsecured bankers' acceptances/ Unsecured revolving credits	3.2 - 4.8	149,436	149,436
Unsecured short term loans	5.1 - 6.7	87,413	87,413
Floating rate instruments			
Unsecured bank overdraft	6.5 - 7.5	54	54
Company 2007			
Fixed rate instruments			
Deposits with licensed banks	2.8 - 3.5	20,300	20,300
Unsecured bankers' acceptances/ Unsecured revolving credits	3.6 - 4.3	112,272	112,272

Notes to the Financial Statements (cont'd)

24. Financial instruments (cont'd)

Company 2006	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
Fixed rate instruments			
Deposits with licensed banks	3.2 - 3.3	6,800	6,800
Unsecured bankers' acceptances/ Unsecured revolving credits	3.3 - 4.8	112,919	112,919
Floating rate instruments			
Unsecured bank overdraft	6.5 - 7.5	54	54

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar (USD).

The Group monitors its exposure to foreign currency movements closely and where appropriate, the Group have used forward exchange contracts to hedge some of its foreign currency risk.

Fair values

The carrying amounts of cash and cash equivalents, receivables, other payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

Notes to the Financial Statements (cont'd)



24. Financial instruments (cont'd)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows.

	2007 Carrying amount RM'000	2007 Fair value RM'000
Group and Company		
Commodity forward contracts	-	7,732

	2007 RM'000
Group and Company	
The nominal value of derivatives are as follows:	
Commodity forward contracts:	52,901

Estimation of fair values

Commodity forward contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

25. Capital and other commitments

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Plant and equipment				
Authorised but not contracted for	843	2,621	6	200
Contracted but not provided for	2,541	6,587	495	3,159
	3,384	9,208	501	3,359

Notes to the Financial Statements (cont'd)

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel, are as follow:

	2007 RM'000	2006 RM'000
Group		
Sales of goods to an associated company	3,136	9,697
Purchase of computer software from an associated company	(300)	-
Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest		
- Pembena Transport Sdn. Bhd.	-	77
- Indah Enterprise Sdn. Bhd.	-	50
Company		
Subsidiaries		
- Sales of goods	7,376	5,751
- Purchase of goods	(6)	(3)
- Rental of premises	234	234
- Rental of furniture and fittings	147	147
- Hire of machinery and motor vehicles	224	224
- Purchase of property, plant and equipment	-	(1,577)
Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest		
- Pembena Transport Sdn. Bhd.	-	77
- Indah Enterprise Sdn. Bhd.	-	50

Balances with subsidiaries, associate and related parties are disclosed in Note 11 and 15. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.

Notes to the Financial Statements (cont'd)



27. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheets				
Property, plant and equipment	194,242	204,775	64,972	68,709
Prepaid lease payments	15,104	-	3,737	-
Receivables, deposits and prepayments	140,195	144,766	110,067	109,730
Payables and accruals	57,912	57,242	26,371	26,034
Retirement benefits	-	670	-	-
Income statements				
Depreciation	19,932	20,406	5,090	5,257
Amortisation of prepaid lease payments	625	-	167	-
Cash flow statements				
Depreciation	19,932	20,406	5,090	5,257
Amortisation of prepaid lease payments	625	-	167	-

Leasehold land of the Group and the Company in 2006 was reclassified from property, plant and equipment and receivables, deposits and prepayments to prepaid lease payments to comply with the requirements of FRS 117, *Leases*. Accordingly, the depreciation is also classified as amortisation or prepaid lease payments as disclosed above.

Analysis of Shareholdings

as at 20th April, 2008

Authorised Capital - RM200,000,000
 Issued and fully paid - RM107,644,606
 Class of shares - Ordinary shares of RM1.00 each

4,553 ordinary shareholders

Voting rights: One vote for one share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Capital
Less than 100	138	3.03	3,915	0.00
100 to 1,000	1,514	33.25	1,270,288	1.18
1,001 - 10,000	2,464	54.12	9,060,297	8.42
10,001 - 100,000	381	8.37	9,724,557	9.03
100,001 to less than 5% of issued shares	54	1.19	51,880,795	48.20
5% and above of issued shares	2	0.04	35,704,754	33.17
	4,553	100.00	107,644,606	100.00

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding(%)
1. Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25
2. HSBC Nominees (Asing) Sdn Bhd [Exempt An For Credit Suisse (SG BR-TST-ASING)]	9,604,000	8.92
3. Astar Commercial Limited	5,313,000	4.94
4. Star Hill Avenue (M) Sdn Bhd	5,232,000	4.86
5. Onas Resources Sdn Bhd	4,594,200	4.27
6. A. A. Anthony Nominees (Asing) Sdn Bhd [Solid Esteem Sdn Bhd for Wise Bright Investment Limited]	3,500,572	3.25
7. Teh Liang Teik	2,908,800	2.70
8. Amble Volume Sdn Bhd	2,742,000	2.55
9. Zalaraz Sdn Bhd	2,540,000	2.36
10. Essence Lane Sdn Bhd	2,233,729	2.08
11. Tan Sri Datuk Arshad Bin Ayub	2,102,685	1.95
12. Mayban Nominees (Tempatan) Sdn Bhd [A/C for Tan Sri Datuk Arshad Bin Ayub]	2,030,000	1.89
13. Teh Wee Kok	1,591,600	1.48
14. A. A. Anthony Nominees (Tempatan) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	1,572,171	1.46
15. Thye Heng (How Kee) Company Sdn Bhd	1,238,900	1.15

Analysis of Shareholdings (cont'd)

as at 20th April, 2008



Thirty (30) Largest Shareholders (cont'd)	No. of Shares	Percentage Holding(%)
16. Alliancegroup Nominees (Tempatan) Sdn Bhd [Pheim Asset Management Sdn Bhd for Employees Provident Fund]	1,075,700	1.00
17. Favourite Access Sdn Bhd	1,000,000	0.93
18. Duangmanee Liewphairatana	869,300	0.81
19. Solid Esteem Sdn Bhd	864,000	0.80
20. Koperasi Polis Diraja Malaysia Berhad	840,200	0.78
21. Yeoh Kean Hua	720,000	0.67
22. Thye Nam Loong Shipping Sdn Bhd	574,800	0.53
23. HSBC Nominees (Asing) Sdn Bhd [BNY Brussels for Prevoir Renaissance Vietnam]	562,000	0.52
24. Suai Timber Products Sdn Bhd	531,600	0.49
25. Allison Foo May Ling	500,000	0.46
26. Teh Li Choo	473,572	0.44
27. Teh Wee Chye	456,500	0.42
28. Thye Nam Loong Sdn Bhd	417,600	0.39
29. Teh Li Li	404,001	0.38
30. Dato' Haji Shahrudin Bin Haji Haron	400,000	0.37

Analysis of Shareholdings (cont'd)

as at 20th April, 2008

Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25	949,200	0.88
Teh Liang Teik	2,908,800	2.70	27,624,754	25.66
Teh Wee Kok	1,591,600	1.48	27,624,754	25.66
Teh Wee Chye	456,500	0.42	29,858,483	27.74
Tan Sri Datuk Arshad Bin Ayub	4,194,085	3.90	2,594,000	2.41

Directors' Interests in the Company and its Related Corporations

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Datuk Arshad bin Ayub	4,194,085	3.90	2,594,000	2.41
Teh Wee Chye	456,500	0.42	29,858,483	27.74
Lee Soon Lee	6,000	0.01	-	-
Tan Sri Hamzah bin Abu Samah	-	-	-	-
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	-	-
Geh Cheng Hooi	-	-	3,000	-
Quah Ban Lee	235,000	0.22	-	-

Director, Teh Wee Chye is deemed to have interests in all the shares held by the Company in its related corporations by virtue of his substantial shareholdings in the Company.

List of Properties



Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-07 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	47	9th Sept, 1996	3,607,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	68	4th Dec, 1996	1,623,000
Freehold land Lots 5326, 5327 and part of Lots 5331 & 5332 District of Dindings Perak Darul Ridzuan Total: 9.00 acres	Vacant land	-	1981	72,000
Leasehold land and buildings Lots 4902 (expiring on 11-12-2061) 5022 (expiring on 25-4-2075) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Office and factory	26-41	6th Oct, 1998	27,800,000
Freehold land with shophouses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Shoplot	28	1991	160,000
Leasehold land with building Lot PTD 119736, HSD 238626 (expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Office and factory	15	3rd Feb, 1995	33,431,000

List of Properties (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-07 RM
Leasehold land with building HSD 34668 PTD 6411 (expiring on 22-7-2096) Mukim of Batu Berendam Daerah Melaka Tengah Total: 0.13 acres	Shoplot	10	1997	491,000
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	8	1999	608,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder farm	18	13th Mar, 1995	2,609,000
Leasehold land with building Estet Perindustrian Kampung Acheh Mukim of Sitiawan District of Manjong Perak Darul Ridzuan (Title yet to be issued) Total: 16.1 acres	Office and factory	17	10th Mar, 1995	6,346,000
Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Residential house	16	1990	47,000
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler farm	15	1992	3,801,000

List of Properties (cont'd)



Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-07 RM
Leasehold land with building HS(M) 2/1991, PT No. 2981 (expiring on 24-4-2081) Mukim of Sungai Seluang District of Kulim, Kedah Total: 7.5 acres	Office and factory	25	14th Jul, 2004	2,166,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000
Land Use Rights with building (expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Office and factory	10	1994	24,354,000
Freehold land with farm buildings GM 168 to 171 (inclusive) Lot 8209 to 8212 (inclusive) Mukim of Sri Gading (VIII) District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Breeder farm	11	2000	2,558,000
Land Use Rights with building (expiring on 30-6-2048) Phu My Industrial Zone I Tan Thanh District Baria - Vungtau Province The Socialist Republic of Vietnam Total: 17.29 acres	Office and factory	5	2000	19,275,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Monday, 9th June, 2008 at 9.30 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31st December, 2007 together with the Reports of the Directors and Auditors thereon.
2. To sanction the payment of a Final Dividend of 5 sen per Ordinary Share less 26% income tax and a Special Dividend of 10 sen per Ordinary Share less 26% income tax for the financial year ended 31st December 2007 . **(Resolution 1)**
3. To re-elect Mr Quah Ban Lee who retires in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 2)**
4. To consider and if thought fit, pass the following motions: -
 - (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 3)**
 - (b) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Hamzah bin Abu Samah be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 4)**
 - (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Lee Soon Lee be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 5)**
 - (d) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 6)**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

Notice of Annual General Meeting (cont'd)



6. As Special Business:-

To consider and if thought fit, to pass with or without modifications, the following motions:-

6.1 Ordinary Resolution 1

(Resolution 8)

Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes and to such person or persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum (10%) of the issued share capital of the Company for the time being, subject always to the approvals of all the relevant regulatory authorities being obtained for such issue and allotment."

6.2 Ordinary Resolution 2

(Resolution 9)

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Listing Requirements

"**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad and Fongcheng Enterprises Sdn Bhd, the nature of which is set out in Section 2 of the Circular to Shareholders dated 16th May, 2008 for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements, subject to the following:-

- (i) the transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;

Notice of Annual General Meeting (cont'd)

- (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting and will subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965); and
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

6.3 Ordinary Resolution 3

Proposed Renewal of Authority for Share Buy-Back

(Resolution 10)

"**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as at the point of purchase and that an amount not exceeding the Company's retained profits and share premium accounts at the time of the purchase(s) will be allocated by the Company for the Proposed Share Buy-back;

AND THAT the authority conferred by this resolution will be effective immediately and shall continue in force until: -

- (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or
- (b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

Notice of Annual General Meeting (cont'd)



6.3 Ordinary Resolution 3 (cont'd)

Proposed Renewal of Authority for Share Buy-Back (cont'd)

- (c) revoked or varied by ordinary resolution passed by shareholders in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the repurchased shares) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company."

7. To transact any other business of which due notice shall have been given.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
16th May, 2008

Notice of Annual General Meeting (cont'd)

Notes:-

1. A member entitled to attend and vote at the 48th Annual General Meeting is entitled to appoint not more than two proxies to attend and to vote in his/her stead. The proxy shall be a member of the Company, an Advocate, an approved company Auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or the hand of the attorney duly authorised.
5. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend this 48th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 4th June 2008. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.
7. Notes on Special Business

Resolution 8

The proposed Resolution 8, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Resolution 9

The proposed Resolution 9, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad and Fongcheng Enterprises Sdn Bhd for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements. This authority, subject to renewal thereat, will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965) (unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting), whichever is earlier.

Notice of Annual General Meeting (cont'd)



7. Notes on Special Business (cont'd)

Resolution 10

The proposed Resolution 10, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and share premium accounts of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Notice of Closure of Book

NOTICE IS HEREBY GIVEN that the Register of Members of the Company will be closed from 14th June, 2008 to 16th June, 2008, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Forty-Eighth Annual General Meeting on 9th June, 2008, the final dividend of 5 sen per Ordinary Share less 26% income tax and a Special Dividend of 10 sen per Ordinary Share less 26% income tax in respect of the financial year ended 31st December, 2007 will be paid on 25th June, 2008. The entitlement date for dividend payment is on 13th June, 2008.

FURTHER NOTICE IS HEREBY GIVEN that a Depositor shall qualify for dividend entitlement only in respect of :-

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 11th June, 2008 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 13th June, 2008 in respect of ordinary transfers; and
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
16th May, 2008

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the
Listing Requirements of the Bursa Malaysia Securities Berhad



Particulars of Directors Standing for Re-appointment / Re-election

1. Tan Sri Datuk Arshad bin Ayub (Non-Independent Non-Executive Chairman)

Tan Sri Datuk Arshad bin Ayub, aged 79, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and is presently the Chairman of the Company. He is also a member of the Audit, Nomination and Remuneration Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad.

He has a direct interest of 3.90% in the Company which represents 4,194,685 ordinary shares and an indirect interest of 2.41% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 2,594,000 ordinary shares in the Company.

He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

2. Mr Lee Soon Lee (Non-Independent Non-Executive Director)

Mr Lee Soon Lee, aged 80, a Malaysian, was appointed to the Board of the Company on 14th May, 1976 and is presently the Chairman of the Remuneration Committee, a member of the Audit and Nomination Committees of the Company. He is a qualified accountant and was appointed as the Secretary / Chief Accountant of Malaysian Industrial Development Finance Berhad in 1960 and was promoted to the position of Acting General Manager before leaving the company in 1967 to start his own consultancy business. He is not a director of any other public company.

He holds 6,000 ordinary shares in the Company but does not hold shares in any of its subsidiaries.

He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Statement Accompanying Notice of Annual General Meeting (cont'd)

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

Particulars of Directors Standing for Re-appointment / Re-election (cont'd)

3. Tan Sri Hamzah bin Abu Samah (Independent Non-Executive Director)

Tan Sri Hamzah bin Abu Samah, aged 84, a Malaysian, was appointed to the Board of the Company on 24th December, 1987 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a qualified advocate and solicitor [Barristor-at-law (Gray's Inn)] and has an outstanding civil service and political record. He has held the position of Magistrate, Deputy Public Prosecutor, State Legal Adviser and the Chief Registrar of the Federal Court in his legal career before entering politics in 1967 whereby he became the Deputy Minister of Home Affairs (1967-1969). Since then, he has been the Minister of Information and Broadcasting (1969-1971), the Minister of Culture, Youth and Sports (1971-1973), the Minister of Defence (1973-1974), the Minister of Commerce and Industry (1974-1978), the Minister of Law and the Attorney General (1978-1980). He was the Senior Partner of Messrs Hamzah Abu Samah & Partners and remains as the consultant after his retirement. He is also a director of BBW Gold Consortium Berhad.

He has no interest in the securities of the Company or any of its subsidiaries. He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

4. Mr Geh Cheng Hooi (Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 73, a Malaysian, was appointed to the Board of the Company on 11th March, 2003 and is presently a member of the Audit and Nomination Committees of the Company. After qualifying as a Chartered Accountant in the United Kingdom in 1959, he worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick ("KPMG") in 1961. He was admitted as a partner in KPMG in 1964 and retired as senior partner in 1989. Presently, he is an adviser/consultant in KPMG, a position to which he was appointed since 1989. He is also a Fellow of The Institute of Chartered Accountants of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Star Publications (Malaysia) Berhad, Lingui Developments Berhad, NCB Holdings Berhad, PLUS Expressways Berhad and Paramount Corporation Berhad.

He has an indirect interest of 0.003% in the Company by virtue of his directorship and shareholding in Emmel Sdn Bhd which holds 3,000 ordinary shares in the Company.

He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Statement Accompanying Notice of Annual General Meeting (cont'd)

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad



Particulars of Directors Standing for Re-appointment / Re-election (cont'd)

5. Mr Quah Ban Lee (Finance Director)

Mr Quah Ban Lee, aged 50, a Malaysian, was appointed to the Board of the Company on 18th August, 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Accountants ("MIA"). He also possesses a Bachelor of Arts (Hons) in Economics and Accounting Degree from the University of Reading in the United Kingdom. He has more than 20 years experience in finance, including a number of years in professional accounting firms, both in the United Kingdom and Malaysia. He has worked with other public listed companies in Malaysia prior to joining the Company. He is not a director of any other public company.

He holds 235,000 ordinary shares in the Company but does not hold shares in any of its subsidiaries.

He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)

FORM OF PROXY

I/We, _____
I/C No./Passport No./Co.No. _____ CDS Account No. _____
of _____
being a member/members of **MALAYAN FLOUR MILLS BERHAD** hereby appoint _____
_____ I/C No. _____
of _____
or failing him/her _____ I/C No. _____
of _____

as my/our proxy to vote on my/our behalf at the Forty-Eighth Annual General Meeting of the Company to be held on Monday, 9th June, 2008 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

No.	Motions	For	Against
1.	Declaration of a Final and Special Dividend		
2.	Re-election of Mr Quah Ban Lee under Article 111 of the Company's Articles of Association		
	Re-appointment of the following Directors pursuant to Section 129(6) of the Companies Act, 1965:-		
3.	a. Tan Sri Datuk Arshad bin Ayub		
4.	b. Tan Sri Hamzah bin Abu Samah		
5.	c. Mr. Lee Soon Lee		
6.	d. Mr. Geh Cheng Hooi		
7.	Re-appointment of Auditors		
8.	Authorisation for Directors to Allot and Issue Shares		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Proposed Renewal of Authority for Share Buy-Back		

Dated this _____ day of _____, 2008

Number of shares held

Signature/Common Seal of Shareholder

Notes:-

1. A member entitled to attend and vote at the 48th Annual General Meeting is entitled to appoint not more than two proxies to attend and to vote in his/her stead. The proxy shall be a member of the Company, an Advocate, an approved company Auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or the hand of the attorney duly authorised.
5. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend this 48th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 4th June 2008. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

Fold Here

Affix
stamp
here

The Company Secretary
MALAYAN FLOUR MILLS BERHAD (4260-M)
22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur

Fold Here



MALAYAN FLOUR MILLS BERHAD (4260-M)
22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur
Tel: (603) 2170 0999 Fax: (603) 2170 0888
Website: www.mfm.com.my