Malayan Flour Mills Berhad
(4260-M)

Annual Report **2011** Laporan Tahunan


Ayam Dindings
Love Quality Love Dindings
AYAM DINDINGS
Since 1985
• HALAL • PREMIUM QUALITY • FRESH • HYGIENIC
• ANTIBIOTIC RESIDUE FREE
MS 1500 : 2009
1 023 - 11/2004
Establishment No.21
ISO 9001:2008
Certified Company
HACCP
IMPLEMENTED
BUATAN MALAYSIA

Contents

Corporate Information

Chairman

Tan Sri Dato' Seri Arshad bin Ayub
S.P.M.S., P.S.M., S.P.S.K., P.N.B.S., 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

Dato' Hj Shaharuddin bin Hj Haron
D.P.C.M., J.S.M., P.C.M., K.M.N

Geh Cheng Hooi

Quah Ban Lee

Datuk Oh Chong Peng

Thong Kok Mun

Lim Pang Boon

Dato' Wira Zainal Abidin bin Mahamad Zain
D.G.M.K., D.S.D.K., K.M.N., S.M.T., A.M.K.

Prakash A/L K.V.P Menon

Audit Committee

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

Geh Cheng Hooi
(Independent Non-Executive Director)

Tan Sri Dato' Seri Arshad bin Ayub
(Independent Non-Executive Director)

Datuk Oh Chong Peng
(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 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor
Tel. No: 03-7841 8000
Fax No: 03-7841 8151/52

Factories

Jalan David Sung, Batu Undan
32200 Lumut
Perak Darul Ridzuan

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

Branches

- **FEDERAL TERRITORY**
  Lot 40, Jalan E 1/4
  Taman Ehsan Industrial Park
  Kepong, 52100 Kuala Lumpur
- **PENANG**
  4557, Jalan Heng Choon Thian
  12000 Butterworth, Pulau Pinang
- **PERAK**
  No. 2, Laluan Perusahaan 10
  Kawasan Perusahaan Menglembu
  31450 Ipoh, Perak Darul Ridzuan

- **MALACCA**
  No. 1, Jalan PM3
  Taman Perindustrian Merdeka
  75350 Batu Berendam, 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-5 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)
- Premier Grain Sdn Bhd (754079-T)
- 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)
- MFM Ltd

Principal Bankers

- Malayan Banking Berhad (3813-K)
- HSBC Bank Malaysia Berhad (127776-V)
- Alliance Bank Malaysia Bhd (88103-W)
- Hong Leong Bank Berhad (97141-X)
- OCBC Bank (Malaysia) Berhad (29548-W)
- Rabobank Nederland (050090C)

Stock Exchange Listing

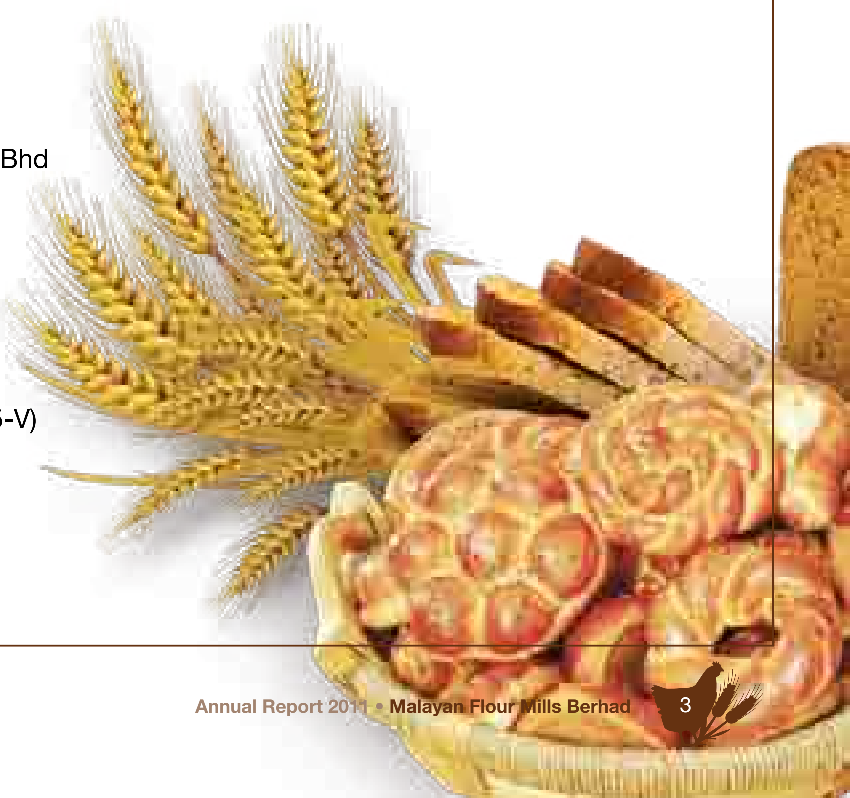
Bursa Malaysia Securities Berhad
- Main Market (Consumer Products Sector)
Stock Code: 3662

Solicitors

Isharidah, Ho, Chong & Menon
Skrine

Auditors

KPMG



Board of Directors

Tan Sri Dato' Seri
Arshad bin Ayub

Mr Teh Wee Chye

Dato' Hj Shaharuddin
bin Hj Haron

Mr Geh Cheng Hooi

Mr Quah Ban Lee

Datuk Oh Chong Peng

Mr Thong Kok Mun

Mr Lim Pang Boon

Mr Prakash A/L K.V.P
Menon

Dato' Wira Zainal Abidin
bin Mahamad Zain

Director's Profile

Tan Sri Dato' Seri Arshad bin Ayub

(Independent Non-Executive Chairman)

Tan Sri Dato' Seri Arshad bin Ayub, aged 83, a Malaysian, was appointed to the Board of the Company on 30 August 2002 and is presently the Chairman of the Company. He is also the Chairman of the Remuneration Committee, a member of the Audit and Nomination 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, Sindora Berhad, LBI Capital Berhad, Tomypak Holdings Berhad, Top Glove Corporation 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 11 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 59, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19 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 as 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 and Seu Teck Sean Tong Charitable Organisation Berhad. He is a substantial shareholder of the Company.

He has attended all the 11 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.

Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 73, a Malaysian, was appointed to the Board of the Company on 23 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 and Latitude Tree Holdings Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 11 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 77, a Malaysian, was appointed to the Board of the Company on 11 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. He is also a Fellow of The Institute of Chartered Accountants in England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Lingui Developments Berhad and Paramount Corporation Behad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 8 out of the 11 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 Quah Ban Lee

(Finance Director)

Mr Quah Ban Lee, aged 54, a Malaysian, was appointed to the Board of the Company on 18 August 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants in England and Wales ("ICAEW") 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 11 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.

Datuk Oh Chong Peng

(Independent Non-Executive Director)

Datuk Oh Chong Peng, aged 67, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit Committee of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA").

He joined Coopers & Lybrand (now known as PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974. He retired as a Senior Partner of Coopers & Lybrand in 1997 and then joined the Rashid Hussain Berhad Group of Companies in 1998 until 2003.

He is currently the Independent Non-Executive Chairman of Alliance Financial Group Berhad and also sits on the boards of British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad, Kumpulan Europlus Berhad, Dialog Group Berhad, Ingenious Growth Berhad and several other private companies.

Datuk Oh is a Government appointed member of the Labuan Offshore Financial Services Authority. He is a trustee of the UTAR Education Foundation and a council member of University Tunku Abdul Rahman. He also sits on the Listing Committee of Bursa Malaysia.

His past appointments included being a Government appointed Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2001) and a past President (1994-1996) of the MICPA.

He has attended 9 out of the 11 Board Meetings held during the financial year. 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.

Mr Thong Kok Mun

(Executive Director)

Mr Thong Kok Mun, aged 54, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Mechanical Engineering from University of Birmingham, United Kingdom, Msc. Operational Research from University of Hull, United Kingdom and Diploma in Flour Milling Technologist from Swiss Milling School, St. Gallen, Switzerland.

He joined Malayan Flour Mills Berhad ("MFM") in 1982 as the Milling Engineer at Lumut Plant and was promoted to Plant Manager of MFM Pasir Gudang Plant in 1992. He was a Trainer at MFM Lumut for the setting up of Vimaflour Ltd from 1996 to 1997 and appointed as the Plant Manager of Vimaflour Ltd, Vietnam in 1997. Subsequently, he was in-charge of MFM Lumut Plant from 2000 to 2002 as the Plant Manager.

He is the Deputy General Director and Authorised Representative of the Member's Council of Mekong Flour Mills Ltd, Vietnam since 2002 and 2003 respectively. In 2006, he was appointed the General Manager of MFM Flour Division in Malaysia.

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 11 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 Lim Pang Boon

(Executive Director)

Mr Lim Pang Boon, aged 56, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Electrical Engineering from University of Arkansas, USA and Diploma in Electrical Engineering from Singapore Polytechnic.

He was a Project/Site Engineer of Tenaga Ewbank Consulting Engineers prior to joining Malayan Flour Mills Berhad ("MFM") as an Electrical Engineer at its Lumut Plant from 1990 to 1992 and was promoted to Plant Manager of MFM Feedmill Sdn Bhd at Pasir Gudang from 1993 to 2000.

He was also the Project Manager for the setting up of Vimaflour Ltd at Vietnam from 1996 to 1998. Subsequently, he was appointed as the General Director and Authorised Representative of the Members' Council of Vimaflour Ltd in 2002.

He was also appointed as the Deputy General Director and Authorised Representative of the Member's Council of Mekong Flour Mills Ltd in 2000 and 2006 respectively. He was later promoted as the General Director in 2008.

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 9 out of the 11 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.

Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain, aged 62, a Malaysian, was appointed to the Board of the Company on 1 September 2009. He holds a Bachelor of Arts (Hons.) Degree from University of Malaya.

He has a distinguished career in the Malaysian Civil Service. His past appointments include being appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary at the Ministry of Foreign Affairs (1973), Second Secretary of the Embassy of Malaysia in Jakarta, Indonesia (1974), Assistant Secretary of Ministry of Foreign Affairs (1977), Charge d'Affaires of the Embassy of Malaysia in Tehran, Iran (1979-1982), Principal Assistant Secretary of Ministry of Foreign Affairs (1982), Charge d' Affaires of Embassy of Malaysia in Abu Dhabi, United Arab Emirates (1984), Consul General of the Consulate General Malaysia in Jeddah (1986), Under Secretary (West Asia, Africa & OIC) of Ministry of Foreign Affairs (1989), Consul General of the Consulate General Malaysia in Vancouver, Canada (1991), Ambassador of Malaysia to Brazil (1995), Ambassador of Malaysia to Vietnam (1998), Under Secretary (South East Asia & Pacific) of Ministry of Foreign Affairs (2001), Malaysia's First Director General [Southeast Asia Regional Centre for Counter Terrorism (SEARCCT)], Ministry of Foreign Affairs (2003), Ambassador of Malaysia to the Republic of Indonesia (2005-2009), Malaysia's First ASEAN Permanent Representative ad-interim Republic of Indonesia (March 2009-July 2009) and Special Envoy of the Prime Minister of Malaysia to The Islamic Republic of Afghanistan (2010).

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 10 out of the 11 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 Prakash A/L K.V.P Menon

(Non-Independent Non-Executive Director)

Mr Prakash A/L K.V.P Menon, aged 53, a Malaysian, was appointed to the Board of the Company on 24 May 2011. He is a barrister-at-law (Lincoln's Inn, London) having graduated with LLB (Hons) from University College, Manchester.

He was admitted to the English Bar in 1983 and being bestowed the qualification as a Barrister. Upon completion of the term of pupilage, he was called to the Malaysian Bar and was admitted as an Advocate and Solicitor of the High Court of Malaya on 18 June 1984.

Since his admission to the Malaysian Bar, he has been in private practice and is a Senior Partner in the firm of Isharidah, Ho, Chong & Menon and is actively involved in the area of litigation. He has been in active practice for 28 years.

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 6 out of 9 Board Meetings held during the financial year subsequent to his appointment as a Director 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.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Malayan Flour Mills Berhad ("MFM") for the financial year ended 31 December 2011.

Review of Performance

In spite of the very challenging operating environment, MFM managed to achieve record revenue of RM1.9 billion as compared to RM1.6 billion registered in the previous financial year. This was attributable to higher sales from the feeds and trading of feed ingredients as well as the poultry integration segments.

The profit before tax recorded for 2011 was however 19% lower at RM103.6 million due to higher raw material costs which resulted in lower margins.

Arising from the volatility of the commodity costs and the low selling prices of our products due to the competitive state of the market, the Group had to provide for a write down in inventories amounting to RM11.1 million.

The performance of the flour milling business in 2011 was affected adversely by high raw material costs resulting in lower profit margins for the flour products. The profit before tax had decreased by 35% to RM73.5 million as compared to the previous year. The flour milling business remains a key component of the Group's profitability. The project to enlarge our manufacturing, packaging and warehousing facilities in Malaysia is scheduled to be completed this year.

In line with MFM's vision to be a leading food manufacturing enterprise in the region, and to leverage on the long term potential of the food business, the Group had on 5 October 2011 entered into a Shareholders' Agreement with PT FKS Capital (FKS), Toyota Tsusho Corporation, Toyota Tsusho (Singapore) Pte Ltd and PT

Toyota Tsusho Indonesia to establish a joint venture company named PT Bungasari Flour Mills Indonesia for the purpose of carrying out the business of flour milling and distribution of flour products and by-products in Indonesia. The related companies of FKS are mainly involved in the trading of soybean, soybean meal and corn as well as the manufacturing and sales of sugar and corn starch.The joint venture will enable the Group to grow further in economy of scale as well as enhance the efficiency of the business.

The feeds and trading in related raw material business registered a revenue growth of 33% to RM586.5 million in 2011 contributed by higher demand for poultry and aqua feeds products and incremental sales from the trading of grains. However, higher raw material costs had lowered the profit margin and this resulted in a lower profit before tax of RM9.4 million being achieved as compared to RM11.0 million in the prior year.

The poultry integration business registered record profit before tax of RM17.3 million following a turnaround in its performance in 2010. This was attributed to improved operational efficiency and higher selling prices of poultry products. We plan to grow the business further by expanding our broiler, breeder and further processed poultry products capacities.

Corporate Development

The following Proposals were approved by our shareholders at the Extraordinary General Meeting held on 19 October 2011:

a) Proposed Share Split involving the subdivision of every 1 existing ordinary share of RM1.00 each ("MFM Share(s)") in Malayan Flour Mills Berhad ("MFM" or "the Company") into 2 new ordinary shares of RM0.50 each in MFM ("Subdivided MFM Shares");

b) Proposed Renounceable Rights Issue of 215,289,212 new Subdivided MFM Shares ("Rights Shares (s)") at 93 sen per Rights Share together with 107,644,606 Free Detachable New Warrants ("Warrant(s)") and 107,644,606 New Subdivided MFM Shares ("Bonus Shares") attached on the basis of 2 Rights Shares together with 1 Warrant and 1 Bonus Share for every 2 Subdivided MFM Shares held after the Proposed Share Split;

c) Proposed increase in authorized share capital from RM200,000,000 comprising 200,000,000 MFM Shares to RM500,000,000 comprising 1,000,000,000 Subdivided MFM Shares; and

d) Proposed amendments to the Memorandum and Articles of Association of the Company in relation to the above Proposals.

The Proposed Share Split, Proposed increase in authorized share capital and Proposed amendments to the Memorandum and Articles of Association have been completed whilst the rest of the Proposals are pending completion.

Outlook

In view of our continuous efforts in growing economies of scale and cost reduction through operational efficiencies as well as leveraging on our competitive advantages, we believe our Group is well positioned for further growth.

Dividend

In view of the Proposed Declaration and Payment of Special Dividend of 62 sen per Subdivided MFM Share less 25% income tax to the entitled shareholders of MFM which is part of the Proposals mentioned above, the Board of Directors do not recommend any dividend for the financial year ended 31 December 2011.

Appreciation

On behalf of the Board of Directors, I would like to extend our sincere appreciation to the management and employees at all levels in the Group for their contribution and support as we work towards achieving our vision of being a leading food manufacturing enterprise in the region.

We would also like to thank you, our shareholders, as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the unwavering support and cooperation during the year.

Tan Sri Dato' Seri Arshad bin Ayub

Chairman

Kuala Lumpur
19 March 2012

Corporate Social Responsibility

Malayan Flour Mills Berhad ("MFM") continues its commitment to the principle of Corporate Social Responsibility ("CSR") by way of being transparent and ethical in all its dealings as well as making positive contribution to the community in which it operates. In addition to building trust with the community and giving the organization an edge in attracting good customers and employees, acting responsibly towards workers and others in society is in the long term interest of the Group and its shareholders.

CSR for Marketplace

MFM has embedded CSR into its business philosophy and policies to meet the expectations of its stakeholders which include the shareholders, suppliers and customers.

The Company is committed to ethical business approach through compliance with law, honoring business obligations and ensuring integrity in its business dealings.

In relation to customers, the Company is creating value for its customers by providing differentiated offerings based on its best cost production, consistent quality, service and innovative solutions. The Company is also committed in its customer-focus approach by understanding its customers' history, culture, decision-making process, key people, vision, mission, strategies, goals and strengths. Focus is placed on the customers' needs as well as building trust in the relationships with the customers.

MFM takes seriously all feedback, complaints and compliments that it received from its stakeholders. Initiatives such as customer service programmes which effectively monitor complaints and aim to provide continuous improvement are in place.

MFM also committed to the safety and quality of all its products with the adoption of HACCP system, applying Good Manufacturing Practice and training the employees on the Good Hygiene Practice throughout the food processing flow chart from raw material to finished goods as well as engaging in only ethical procurement practices.

CSR for Community

MFM is committed to improving opportunities and quality of life in the community it serves. In its effort to ease the burden of the rising cost of medication and healthcare on those who require medical treatments, the Company had donated to the Lung Foundation of Malaysia to assist the Foundation in easing the suffering of underprivileged lung patients who require medical treatment as well as funding scientific, education and training to enhance the knowledge, skill and care for patients in Malaysia.

The Company also responded to the appeal for fund for the purchase of medical bed by Yayasan Latihan Insan Istimewa Ipoh, a home for handicapped and Down Syndrome children and adults.

Besides this, contributions were given to MAKNA (Majlis Kanser Nasional) to support its 'i-Give Project' to help deserving cancer patients and other non-profit charitable organisations towards improving the general welfares of the less fortunate.

Education has always been an important aspect of any society and provides the necessary intellectual components to enhance a person's contribution to society. In support of this, the Company has contributed to fund raising activities of numerous schools for various purposes such as sports event and upgrading of buildings.

CSR for Workplace

Employees provide the know-how, productivity, customer service and innovativeness necessary for business activity. Therefore, the continued success of a company is reliant on the commitment of its employees.

Recognising this, MFM has taken initiatives that promote the retention and development of its staff and nurture workplace environments that will attract recruits of the highest calibre.

MFM believes in developing the potential and skill competency of its employees and is committed to ensure that they are trained to undertake the position for which they are employed and to develop their abilities and skills in line with technological changes and other needs of the organization. Hence, training programs and development are designed to help the individual employee to develop the targeted competencies.

During the year under review, the Group in collaboration with the Federation of Malaysian Manufacturers Institute conducted an Executive Development Certification Program for the employees of the Group. Selected employees had participated in the program which aimed to provide the fundamental management and leadership skills for the talented executives who have the right fit for the organization, to develop the talented executives to grow their careers with the Group as well as to create opportunities as part of the executive retention program.

The Company also provides, and strives to maintain, a clean, healthy and safe working environment for its employees to carry out their business activities.

In term of the welfare of the employees, MFM offers its employees clear and fair terms of employment. Benefits like medical, hospitalization and insurance coverage are provided to protect the livelihood of the employees. Various activities like Annual Dinner, Festive Celebrations and Family Outings were also organized to foster better ties and interaction amongst the employees.

CSR for Environment

The Group is mindful of its responsibility towards preserving the environment and conserving resources wisely. The Group is committed to protect the environment through its corporate Environmental Policy whereby in its daily operations, environment friendly practices are observed such as recycling of paper, increased electronic communication, energy saving practices for lighting and equipments and proper management of wastage.

At its manufacturing operations, various measures are taken to ensure that pollution will be minimal. Air filter systems are installed at the flour and feed mills to capture about 99% of the dust emitted from the milling processes.

As for the poultry processing plant of the Group, it operates waste water treatment to treat the final discharge of waste water in compliance with the requirements set by the Department of Environment Malaysia (DOE Standard B).

The broiler farms of the Group are converting the opened houses to tunnel-ventilated closed houses in stages, which have proven to be more effective in addressing the flies and smell problems. The Group has also successfully implemented the latest state-of-art closed house design at its new breeder and broiler farms which are of international standards. As the houses are environmentally controlled, flies within and outside the houses are minimal, with more than 95% reduction, hence a healthier and pleasant environment to the nearby inhabitants.

Corporate Events

Penang International Halal Expo & Conference (PIHEC)

(25-27 February 2011)

Dindings Poultry Processing Sdn Bhd took part in the expo at PISA that provided the ultimate platform for companies producing Halal-certified products and services to conduct permissive face-to-face marketing activities directly to the end consumers and trade buyers.

8th Malaysia International Halal Showcase (MIHAS)

(6 - 9 April 2011)

Dindings Poultry Processing Sdn Bhd had participated in the Malaysia International Halal Showcase that was held in KLCC Convention Centre.

MFM's 51st Annual General Meeting

(24 May 2011)

Held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur

'Draw My Farm' Carnival

(5 June 2011)

A day carnival was held at Pusat Sains Negara to educate the younger generations on the livestock and feed industries.

MFM Product Demo

(11 June 2011)

A product and cooking demonstration was held at Rakanda Enterprise, Semenyih.

Distributors' Convention & Incentive Tour *(2 - 5 September 2011)*

Dindings Poultry Processing Sdn Bhd had organised its Distributors' Convention and Incentive Tour to Ho Chi Minh City, Vietnam.

1st Ayam Fiesta Distributors' Convention

(23 & 24 September 2011)

Dindings Poultry Processing Sdn Bhd held its 1st Ayam Fiesta Distributors' Convention at The Zon Hotel.

Board Retreat *(28-29 October 2011)*

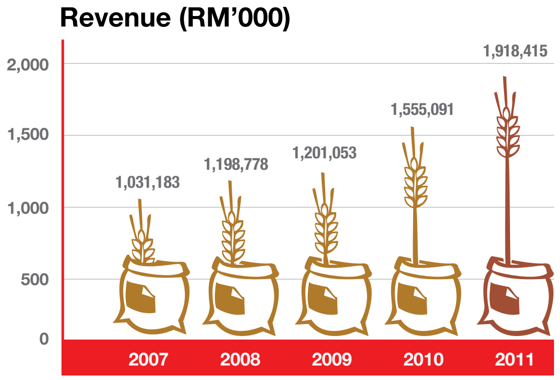
MFM held a Board Retreat for its 5-Years Strategic Plan at Phuket, Thailand.

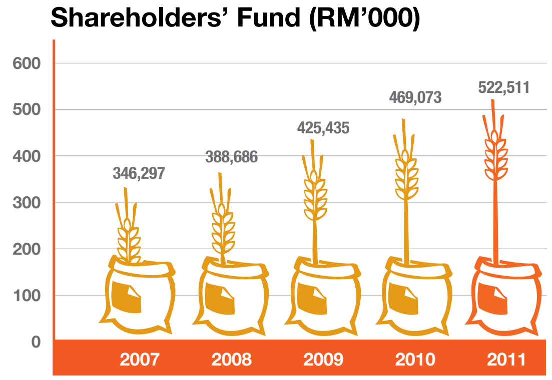
Group Financial Highlights

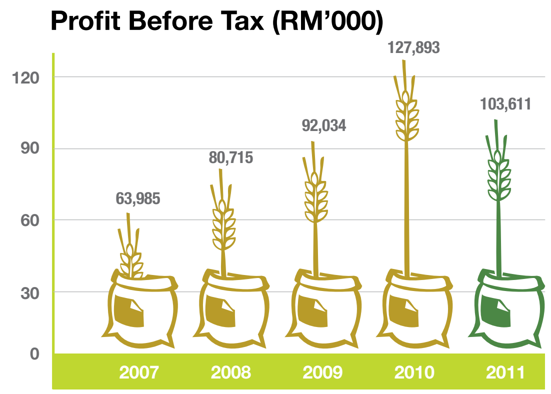
For the year ended 31 December 2011

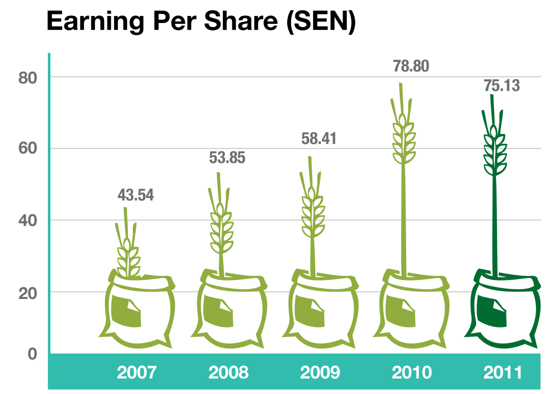
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	1,031,183	1,198,778	1,201,053	1,555,091	1,918,415
Profit before tax	63,985	80,715	92,034	127,893	103,611
Tax Expense	(10,676)	(18,804)	(19,753)	(27,567)	(11,413)
Profit for the year	53,309	61,911	72,281	100,326	92,198
Minority interests	(6,718)	(3,940)	(9,402)	(15,502)	(11,326)
Profit attributable to equity holders of the Company	46,591	57,971	62,879	84,824	80,872
Issued Share Capital (RM'000)	107,645	107,645	107,645	107,645	107,645
Shareholders' Fund (RM'000)	346,297	388,686	425,435	469,073	522,511
Net Assets per share (sen)	322	361	395	436	485
Earnings per share (sen)	43.54	53.85	58.41	78.80	75.13
Gross dividends (%) - taxable	20	20	20	26	* 62

* A Special Dividend of 62.0 sen per Subdivided MFM Share less 25% income tax has been declared as part of the Company's Corporate Proposals.









Statement on Corporate Governance

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors of Malayan Flour Mills Berhad recognizes that the practice of good corporate governance in conducting the business and affairs of the Group with integrity, transparency and professionalism are key components for the Group's continued growth and success. The Board is committed to ensure that the highest standards on Corporate Governance are observed throughout the Group in the interest of the stakeholders 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 and Balance of the Board

The Board is led and managed by an experienced Board with a wide range of expertise. 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 terms 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 four (4) Executive Directors and six (6) Non-Executive Directors of whom five (5) 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 9 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 judgement to the decision making process of the Board.

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 Committee 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, eleven (11) Board Meetings were held. The attendance of each Director at the Board meetings are as follows:-

Directors	Number of Meetings Attended
Tan Sri Dato' Seri Arshad bin Ayub	11 / 11
Mr Teh Wee Chye	11 / 11
Dato' Hj Shaharuddin bin Hj Haron	11 / 11
Mr Geh Cheng Hooi	8 / 11
Mr Quah Ban Lee	11 / 11
Datuk Oh Chong Peng	9 / 11
Mr Thong Kok Mun	11 / 11
Mr Lim Pang Boon	9 / 11
Dato' Wira Zainal Abidin bin Mahamed Zain	10 / 11
Prakash A/L K.V.P Menon	6 / 9

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' Continuing Development

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.

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.

From time to time, the Board will also be updated on the companies and securities legislations and other relevant rules and regulations at the Board meetings, in order to acquaint them with the latest developments in these areas.

For the year under review, all the Directors attended various appropriate seminars, conferences, workshop and courses covering accounting, tax, finance, management, leadership, corporate governance, regulatory and industry developments.

BOARD OF DIRECTORS (cont'd)

Directors' Continuing Development (cont'd)

The summary of the training programmes attended by the Directors of the Company during the year:

Directors	Programmes/ Seminars/ Conferences
Tan Sri Dato' Seri Arshad bin Ayub	Attended International Conference on audit.
Teh Wee Chye	Attended seminar on business management.
Dato' Hj Shaharuddin bin Hj Haron	Attended seminar on business management.
Geh Cheng Hooi	Attended conference on topics relating to corporate governance and audit.
Quah Ban Lee	Attended seminar on topic relating to taxation.
Datuk Oh Chong Peng	Attended seminars on corporate governance, financial reporting practices and risk management.
Thong Kok Mun	Attended workshops and seminar on corporate governance and business management.
Lim Pang Boon	Attended conference on business management.
Dato' Wira Zainal Abidin bin Mahamad Zain	Attended workshop on corporate governance.
Prakash A/L K.V.P Menon	Attended the Mandatory Accreditation Programme.

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 27 to 30 of this Annual Report.

BOARD COMMITTEES (cont'd)

Nomination Committee

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

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Tan Sri Dato' Seri Arshad bin Ayub	(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) Independent Non-Executive Directors and one (1) Executive Director as follows:

Tan Sri Dato' Seri Arshad bin Ayub (Chairman)	(Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(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.

The Committee also determines 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 twice during the financial year under review.

DIRECTORS' REMUNERATION

The remuneration framework for executive directors has an underlying objective of attracting and retaining directors needed to run the Company successfully. 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.

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)	Bonus (RM'000)	Benefits-In-Kind (RM'000)	Other Emoluments (RM'000)
4 Executive Directors	-	3,048	3,187	117	59
6 Non-Executive Directors	562	-	15	24	152

(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	-	2
RM250,001 to RM300,000	-	1
RM1,000,001 to RM1,050,000	1	-
RM1,050,001 to RM1,100,000	2	-
RM3,250,001 to RM3,300,000	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, the issue of the Company's Annual Reports and the Company's website 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.

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Mr Geh Cheng Hooi as the Senior Independent Non-Executive Director to whom concerns may be directed. At all times, investors and shareholders may contact the Company Secretary for information on the Company.

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 judgements 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 31 and 32 of this Annual Report provides an overview of the state of internal controls within the Group.

ACCOUNTABILITY AND AUDIT (cont'd)

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.

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 of the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2011, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- 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 of 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 31 December 2011.

3. **Options, Warrants or Convertible Securities**
   The Company does not have any outstanding options, warrants or convertible securities.

4. **American Depository Receipt ("ADR") or Global Depository 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 RM22,000 would be payable to the External Auditors, KPMG and RM101,000 would be payable to the affiliate of KPMG for the financial year.

7. **Variation in Results**
   There were no material variations between the audited results for the financial year ended 31 December 2011 and the unaudited results for the quarter ended 31 December 2011 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 31 December 2011 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 24 to the financial statements on pages 100 and 101 of this Annual Report.

10. **Revaluation Policy on Landed Properties**
    The Group's revaluation policy is stated in Note 2(d) to the financial statements on pages 58 to 60 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 24 to the financial statements on pages 100 and 101 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 31 December 2011.

MEMBERS

Chairman:	Dato' Hj Shaharuddin bin Hj Haron (Independent Non-Executive Director)
Members:	Geh Cheng Hooi (Independent Non-Executive Director)
	Tan Sri Dato' Seri Arshad bin Ayub (Independent Non-Executive Director)
	Datuk Oh Chong Peng (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
Geh Cheng Hooi	4 of 5 meetings
Tan Sri Dato' Seri Arshad bin Ayub	5 of 5 meetings
Datuk Oh Chong Peng	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.

TERMS OF REFERENCE

1. 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 Paragraph 15.09(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.

2. 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, at least twice a year.

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.

3. Authority

The Committee shall have the authority to investigate matters within its authority and request for any information it seeks as relevant to its 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.

TERMS OF REFERENCE (cont'd)

4. 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.

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 the Group.

TERMS OF REFERENCE (cont'd)

4. Duties and Responsibilities (cont'd)

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 31 December 2011 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.

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 Management.

The Internal Audit Function is performed in-house and the costs incurred for the financial year 2011 was RM475,000 (2010:RM420,000).

Statement on Internal Control

The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.26(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.

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 19 March 2012.

Reports & Financial Statements

Directors' Report

for the year ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

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 6 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 for the year attributable to:		
Owners of the Company	80,872	39,455
Non-controlling interests	11,326	-
	92,198	39,455

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend and a special dividend of 5 sen per ordinary share and 15 sen per ordinary share respectively less tax at 25% totalling RM4,037,000 (3.75 sen net per ordinary share) and RM12,110,000 (11.25 sen net per ordinary share) respectively in respect of the year ended 31 December 2010 on 13 June 2011.

The Directors proposed to declare a special dividend of 62 sen per ordinary share of RM0.50 each (subdivided ordinary shares) less tax at 25% totalling approximately RM100,109,000 (46.50 sen net per ordinary share of RM0.50 each) in respect of the year ended 31 December 2011 ("Proposed Special Dividend"). This Proposed Special Dividend was conditional upon the Company obtaining all relevant approvals for the Proposals and the completion of the Proposed Share Split as stated in Note 25. The Proposals were approved at the Extraordinary General Meeting of the Company held on 19 October 2011 and the Proposed Share Split was completed on 31 January 2012.

At the date of this report, the date of the payment of the Proposed Special Dividend has yet to be determined.

The Directors do not recommend any payment of final dividend for the year under review.

Directors of the Company

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

Tan Sri Dato' Seri Arshad bin Ayub
Teh Wee Chye
Dato' Hj Shaharuddin bin Hj Haron
Geh Cheng Hooi
Quah Ban Lee
Datuk Oh Chong Peng
Thong Kok Mun
Lim Pang Boon
Dato' Wira Zainal Abidin bin Mahamad Zain
Prakash A/L K.V.P Menon (Appointed on 24.05.2011)

Directors' interests

The interests and deemed interests in the ordinary 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 1.1.2011	Bought	Sold	At 31.12.2011
Company – Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	456,500	-	-	456,500
Tan Sri Dato' Seri Arshad bin Ayub	4,653,385	-	-	4,653,385
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	-	400,000
Quah Ban Lee	235,000	-	-	235,000
Lim Pang Boon	41,800	-	-	41,800
Datuk Oh Chong Peng	-	1,000	-	1,000
Dato' Wira Zainal Abidin bin Mahamad Zain	-	1,000	-	1,000
Deemed interest				
Teh Wee Chye				
- own	29,858,483	-	-	29,858,483
- others *	12,000	-	-	12,000
Tan Sri Dato' Seri Arshad bin Ayub	2,924,000	-	-	2,924,000
Geh Cheng Hooi	239,000	72,000	-	311,000
Thong Kok Mun				
- others *	120,000	-	-	120,000

Directors' interests (cont'd)

	Number of ordinary shares of RM1 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
Company – Malayan Flour Mills Berhad (cont'd)				
Deemed interest of Teh Wee Chye in subsidiary companies				
Dindings Soya & Multifeeds Sdn. Berhad	29,185,000	-	-	29,185,000
Muda Fibre Manufacturing Sdn. Bhd.	7,000,001	-	-	7,000,001
Dindings Poultry Processing Sdn. Bhd.	51,160,000	-	-	51,160,000
Premier Grain Sdn. Bhd.	10,200,000	-	-	10,200,000

	Interest in capital contribution denominated in Vietnamese Dong (VND)			
	At 1.1.2011 VND'000	Bought VND'000	Sold VND'000	At 31.12.2011 VND'000
Vimaflour Limited	149,310,144	-	-	149,310,144

* Deemed to have interest through spouse and children pursuant to the Section 134(12)(c) of the Companies Act, 1965.

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 31 December 2011 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 nor 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 a 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 24 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.

Issue of shares

On 19 October 2011, the Company had increased its authorised share capital from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by subdividing 200,000,000 ordinary shares of RM1.00 each into 400,000,000 ordinary shares of RM0.50 each and the creation of an additional 600,000,000 ordinary shares of RM0.50 each.

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

Pursuant to the Proposals stated in Note 25.2, a share split on the issued and paid-up capital was undertaken on 31 January 2012 involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each. Pursuant to the share split, 107,644,606 ordinary shares of RM1.00 each of the Company were subdivided into 215,289,212 ordinary shares of RM0.50 each.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 financial statements of the Group and of the Company 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.

Other statutory information (cont'd)

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, except for the inventories written down as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 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.

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 Dato' Seri Arshad bin Ayub

Teh Wee Chye

Kuala Lumpur
19 March 2012

Balance Sheets

at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	315,320	224,222	167,290	113,764
Intangible assets	4	1,576	1,903	257	409
Investment properties	5	5,505	5,562	5,234	5,291
Investments in subsidiaries	6	-	-	234,930	234,930
Investments in associates	7	1,484	-	-	-
Deferred tax assets	8	5,122	4,131	-	-
Total non-current assets		329,007	235,818	407,711	354,394
Trade and other receivables, including derivatives	9	250,976	229,065	143,316	87,647
Prepayments and other assets		4,884	3,825	1,609	1,174
Inventories	10	360,999	324,940	114,847	96,775
Current tax assets		2,013	90	1,959	-
Cash and cash equivalents	11	200,867	221,974	40,740	32,201
Total current assets		819,739	779,894	302,471	217,797
Total assets		1,148,746	1,015,712	710,182	572,191
Equity					
Share capital		107,645	107,645	107,645	107,645
Reserves		414,866	361,428	302,179	278,871
Total equity attributable to owners of the Company		522,511	469,073	409,824	386,516
Non-controlling interests		53,872	53,762	-	-
Total equity	12	576,383	522,835	409,824	386,516
Liabilities					
Deferred tax liabilities	8	5,419	7,100	3,850	7,100
Total non-current liabilities		5,419	7,100	3,850	7,100
Trade and other payables, including derivatives	13	108,310	87,407	153,749	62,959
Loans and borrowings	14	445,373	385,172	142,759	113,995
Current tax liabilities		13,261	13,198	-	1,621
Total current liabilities		566,944	485,777	296,508	178,575
Total liabilities		572,363	492,877	300,358	185,675
Total equity and liabilities		1,148,746	1,015,712	710,182	572,191

The notes set out on pages 48 to 103 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Revenue		1,918,415	1,555,091	438,567	363,809
Cost of goods sold		(1,697,000)	(1,317,134)	(376,075)	(282,588)
Gross profit		221,415	237,957	62,492	81,221
Other income		11,166	21,153	33,449	41,446
Distribution and selling expenses		(87,589)	(78,750)	(32,782)	(30,124)
Administrative expenses		(34,918)	(33,596)	(17,343)	(18,862)
Other expenses		(12,727)	(20,635)	(759)	(18,066)
Results from operating activities		97,347	126,129	45,057	55,615
Interest expense		(12,318)	(8,136)	(4,788)	(3,309)
Interest income		17,113	10,043	1,051	737
Operating profit	15	102,142	128,036	41,320	53,043
Share of profit/(loss) of equity accounted associates, net of tax		1,469	(143)	-	-
Profit before tax		103,611	127,893	41,320	53,043
Tax expense	17	(11,413)	(27,567)	(1,865)	(11,975)
Profit for the year		92,198	100,326	39,455	41,068
Profit attributable to:					
Owners of the Company		80,872	84,824	39,455	41,068
Non-controlling interests		11,326	15,502	-	-
Profit for the year		92,198	100,326	39,455	41,068
Basic earnings per ordinary share (sen)	18	75.13	78.80		

The notes set out on pages 48 to 103 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the year	92,198	100,326	39,455	41,068
Other comprehensive income for the year, net of tax				
Foreign currency translation differences for foreign operations	(13,703)	(29,081)	-	-
Total comprehensive income for the year	78,495	71,245	39,455	41,068
Total comprehensive income attributable to:				
Owners of the Company	69,585	60,592	39,455	41,068
Non-controlling interests	8,910	10,653	-	-
Total comprehensive income for the year	78,495	71,245	39,455	41,068

The notes set out on pages 48 to 103 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Other capital reserves RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company								
		Non-distributable					*Distributable*			
At 1 January 2010		107,645	55,862	17,067	14,608	(29,423)	259,676	425,435	39,340	464,775
Foreign currency translation differences for foreign operations		-	-	-	-	(24,232)	-	(24,232)	(4,849)	(29,081)
Profit for the year		-	-	-	-	-	84,824	84,824	15,502	100,326
Total comprehensive income for the year		-	-	-	-	(24,232)	84,824	60,592	10,653	71,245
Dividends to owners of the Company	19	-	-	-	-	-	(16,954)	(16,954)	-	(16,954)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(6,031)	(6,031)
Realisation of revaluation reserve		-	-	(785)	-	-	785	-	-	-
Shares issued to non-controlling interests		-	-	-	-	-	-	-	9,800	9,800
At 31 December 2010		107,645	55,862	16,282	14,608	(53,655)	328,331	469,073	53,762	522,835

Statement of Changes in Equity (cont'd)

for the year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Other capital reserves RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company								
		Non-distributable					*Distributable*			
At 1 January 2011		107,645	55,862	16,282	14,608	(53,655)	328,331	469,073	53,762	522,835
Foreign currency translation differences for foreign operations		-	-	-	-	(11,287)	-	(11,287)	(2,416)	(13,703)
Profit for the year		-	-	-	-	-	80,872	80,872	11,326	92,198
Total comprehensive income for the year		-	-	-	-	(11,287)	80,872	69,585	8,910	78,495
Bonus shares issued by a subsidiary		-	-	-	15,853	-	(15,853)	-	-	-
Dividends to owners of the Company	19	-	-	-	-	-	(16,147)	(16,147)	-	(16,147)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(8,800)	(8,800)
At 31 December 2011		107,645	55,862	16,282	30,461	(64,942)	377,203	522,511	53,872	576,383

Statement of Changes in Equity (cont'd)

for the year ended 31 December 2011

Company	Note	← *Non-distributable* Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000 →	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 January 2010		107,645	55,862	17,067	181,828	362,402
Profit for the year		-	-	-	41,068	41,068
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	41,068	41,068
Realisation of revaluation reserves		-	-	(785)	785	-
Dividends to owners of the Company	19	-	-	-	(16,954)	(16,954)
At 31 December 2010/ 1 January 2011		107,645	55,862	16,282	206,727	386,516
Profit for the year		-	-	-	39,455	39,455
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	39,455	39,455
Dividends to owners of the Company	19	-	-	-	(16,147)	(16,147)
At 31 December 2011		107,645	55,862	16,282	230,035	409,824
					Note 12.5	

The notes set out on pages 48 to 103 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		103,611	127,893	41,320	53,043
Adjustments for:					
Amortisation of intangible assets	4	498	648	173	346
Depreciation of investment properties	5	57	57	57	57
Depreciation of property, plant and equipment	3	18,496	16,418	6,501	5,993
Dividend income		-	-	(28,816)	(23,980)
Gain on disposal of property, plant and equipment		(3,986)	(369)	(418)	(88)
Impairment loss on property, plant and equipment	3	2,144	17,015	-	17,015
Impairment loss on other investments		-	60	-	60
Intangible assets written off		-	104	-	3
Interest expense		12,318	8,136	4,788	3,309
Interest income		(17,113)	(10,043)	(1,051)	(737)
Property, plant and equipment written off		751	-	41	65
Share of (profit)/loss of equity accounted associates		(1,469)	143	-	-
Net unrealised loss/(gain) on foreign exchange		1,470	(3,256)	900	-
Operating profit before changes in working capital		116,777	156,806	23,495	55,086
Changes in working capital:					
Inventories		(41,162)	(84,280)	(18,072)	3,252
Trade and other payables and other financial liabilities		21,841	6,203	90,790	36,374
Trade and other receivables, prepayments and other financial assets		(26,232)	(43,866)	(56,104)	(8,196)
Cash generated from operations		71,224	34,863	40,109	86,516
Interest paid		(12,318)	(8,136)	(4,788)	(3,309)
Interest received		17,113	10,043	1,051	737
Tax paid		(15,747)	(21,628)	(8,695)	(12,840)
Net cash generated from operating activities		60,272	15,142	27,677	71,104

Statements of Cash Flows (cont'd)

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from investing activities					
Acquisition of intangible assets	4	(264)	(331)	(21)	(135)
Acquisition of property, plant and equipment	3	(117,411)	(67,271)	(60,068)	(44,487)
Dividend income		-	-	28,816	23,980
Increase in investment in a subsidiary		-	-	-	(10,186)
Proceeds from disposal of property, plant and equipment		6,452	610	418	115
Proceeds from disposal of other investments		-	29	-	-
Net cash used in investing activities		(111,223)	(66,963)	(30,855)	(30,713)
Cash flows from financing activities					
Dividends paid to non-controlling interests		(8,800)	(6,031)	-	-
Dividends paid to owners of the Company		(16,147)	(20,991)	(16,147)	(20,991)
Proceeds from/(Repayment of) loans and borrowings		65,245	165,460	27,864	(13,505)
Subscription of shares in a subsidiary by non-controlling interests		-	9,800	-	-
Net cash generated from/(used in) financing activities		40,298	148,238	11,717	(34,496)
Net (decrease)/increase in cash and cash equivalents		(10,653)	96,417	8,539	5,895
Effect of exchange rate fluctuations on cash held		(10,454)	(16,622)	-	-
Cash and cash equivalents at 1 January		221,974	142,179	32,201	26,306
Cash and cash equivalents at 31 December		200,867	221,974	40,740	32,201

Statements of Cash Flows (cont'd)

for the year ended 31 December 2011

Cash and cash equivalents

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

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	11	181,568	187,136	30,500	12,800
Cash and bank balances	11	19,299	34,838	10,240	19,401
		200,867	221,974	40,740	32,201

The notes set out on pages 48 to 103 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 Market of the Bursa Malaysia Securities Berhad. The address of its registered office, which is also its principal place of business is as follow:

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 31 December 2011 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 6 to the financial statements.

The financial statements were authorised for issuance by the Board of Directors on 19 March 2012.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)

The Group's and the Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

1. Basis of preparation (cont'd)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and 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 a significant effect on the amounts recognised in the financial statements.

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.

(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.

Investments in subsidiaries are measured in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale or distribution.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisition on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statements.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes to fair value of the contingent consideration are recognised in the income statements.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

Acquisitions on or after 1 January 2011 (cont'd)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and /or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in the income statements.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statements. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(v) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of investment includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income 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 associate, the carrying amount of that interest including any long-term investment is reduced to zero, 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 measured in the Company's balance sheet at cost less any impairment losses. The cost of investment includes transaction costs.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated income statements as an allocation of the total profit or loss for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

(vii) 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 gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. 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 transactions.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those 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 income statements, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation differences is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to income statements as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income statements.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (RM) (cont'd)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the balance sheet when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss (cont'd)

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in the income statements.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in the income statements. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into the income statements. Interest calculated for a debt instrument using the effective interest method is recognised in the income statements.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gain or loss recognised in the income statements.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statements.

(d) Property, plant and equipment

(i) Recognition and measurement

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

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

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.

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 knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in the income statements. When revalued assets are derecognised, 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 or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to the income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

• leasehold land	30 to 99 years
• buildings and jetty	10 and 50 years or over lease period, whichever is shorter
• 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 reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the balance sheets. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of lease. Lease incentives received are recognised in the income statements as an integral part of the total lease expense, over the term of the lease.

(f) Intangible assets

(i) Computer software

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

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 recognised in the income statements as incurred.

(iii) Amortisation

Amortisation of computer software is recognised in 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.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (cont'd)

(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 but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. 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 any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(d).

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.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in the income statements in the period in which the item is derecognised.

(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 is then applied to the net annual cash flows to arrive at the property valuation.

2. Significant accounting policies (cont'd)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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 incurred to maintain the layer during their egg laying stage.

Poultry parent inventories are stated at depreciated cost after accounting for its net realisable value at the end of its useful life. 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.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in the income statements and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in the income statements and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to the income statements.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statements.

(ii) Other assets

The carrying amounts of other assets (except for 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.

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").

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.

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.

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Other assets (cont'd)

Impairment losses recognised in prior periods are assessed at the end of each reporting period 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.

(k) 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 liability 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.

(ii) State plans

The Group's contributions 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.

2. Significant accounting policies (cont'd)

(l) Revenue and other income

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when 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, and the amount of revenue can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

Rental income from investment property is recognised in the income statements 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.

(iii) Dividend income

Dividend income is recognised in the income statements on the date that the Company's right to receive payment is established.

(iv) Interest income

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

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. Significant accounting policies (cont'd)

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the income statements except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. 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 or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in income statements and when it is granted and claimed.

(o) Earnings per ordinary share

The Group presents basic 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.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements (cont'd)

3. Property, plant and equipment

	Land RM'000	Buildings and 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
Group						
Cost/Valuation						
At 1 January 2010	21,306	214,729	257,858	30,503	14,836	539,232
Additions	1,982	3,072	9,876	3,139	49,202	67,271
Disposals	-	(317)	(450)	(2,622)	-	(3,389)
Write-off	-	(2,444)	(1,144)	(20)	-	(3,608)
Transfers	-	-	1,186	-	(1,186)	-
Effect of movements in exchange rates	(1,666)	(6,452)	(6,950)	(911)	-	(15,979)
At 31 December 2010/1 January 2011	21,622	208,588	260,376	30,089	62,852	583,527
Additions	5,149	10,795	17,863	4,673	78,931	117,411
Disposals	(316)	(4,103)	(1,852)	(3,597)	-	(9,868)
Write-off	-	(945)	(3,363)	(18)	(69)	(4,395)
Transfers	-	7,175	3,943	328	(11,446)	-
Effect of movements in exchange rates	(645)	(2,501)	(2,683)	(352)	307	(5,874)
At 31 December 2011	25,810	219,009	274,284	31,123	130,575	680,801
Representing items:						
- At cost	23,747	194,562	274,284	31,123	130,575	654,291
- At valuation (Note 3.1)	2,063	24,447	-	-	-	26,510
	25,810	219,009	274,284	31,123	130,575	680,801

Notes to the Financial Statements (cont'd)

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

	Land RM'000	Buildings and 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
Group						
Depreciation and impairment loss						
At 1 January 2010						
Accumulated depreciation	7,792	97,190	202,721	25,985	-	333,688
Accumulated impairment losses	-	2,912	4,537	-	-	7,449
	7,792	100,102	207,258	25,985	-	341,137
Charge for the year	560	4,815	9,453	1,590	-	16,418
Impairment loss	-	17,015	-	-	-	17,015
Disposals	-	(317)	(393)	(2,438)	-	(3,148)
Write-off	-	(2,444)	(1,144)	(20)	-	(3,608)
Effect of movements in exchange rates	(654)	(2,106)	(4,977)	(772)	-	(8,509)
At 31 December 2010						
Accumulated depreciation	7,698	98,640	205,949	24,345	-	336,632
Accumulated impairment losses	-	18,425	4,248	-	-	22,673
	7,698	117,065	210,197	24,345	-	359,305

Notes to the Financial Statements (cont'd)

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

	Land RM'000	Buildings and 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
Group						
Depreciation and impairment loss						
At 1 January 2011:						
Accumulated depreciation	7,698	98,640	205,949	24,345	-	336,632
Accumulated impairment losses	-	18,425	4,248	-	-	22,673
	7,698	117,065	210,197	24,345	-	359,305
Charge for the year	589	5,431	10,445	2,031	-	18,496
Impairment loss	-	532	1,612	-	-	2,144
Disposals	(107)	(2,466)	(1,497)	(3,332)	-	(7,402)
Write-off	-	(309)	(3,317)	(18)	-	(3,644)
Effect of movements in exchange rates	(262)	(858)	(1,998)	(300)	-	(3,418)
At 31 December 2011						
Accumulated depreciation	7,918	100,438	209,582	22,726	-	340,664
Accumulated impairment losses	-	18,957	5,860	-	-	24,817
	7,918	119,395	215,442	22,726	-	365,481
Carrying amounts						
At 1 January 2010	13,514	114,627	50,600	4,518	14,836	198,095
At 31 December 2010/1 January 2011	13,924	91,523	50,179	5,744	62,852	224,222
At 31 December 2011	17,892	99,614	58,842	8,397	130,575	315,320

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

	Land RM'000	Buildings and 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
Company						
Cost/Valuation						
At 1 January 2010	6,058	90,816	84,063	13,423	14,308	208,668
Additions	-	563	4,683	1,376	37,865	44,487
Disposals	-	-	(155)	(575)	-	(730)
Write-off	-	(685)	(207)	-	-	(892)
Transfers	-	-	911	-	(911)	-
At 31 December 2010/1 January 2011	6,058	90,694	89,295	14,224	51,262	251,533
Additions	3,027	1,094	1,964	1,432	52,551	60,068
Disposals	-	-	-	(2,370)	-	(2,370)
Write-off	-	-	(1,100)	(18)	-	(1,118)
Transfers	-	(14)	277	40	(303)	-
At 31 December 2011	9,085	91,774	90,436	13,308	103,510	308,113
Representing items:						
- At cost	7,022	67,327	90,436	13,308	103,510	281,603
- At valuation (Note 3.1)	2,063	24,447	-	-	-	26,510
At 31 December 2011	9,085	91,774	90,436	13,308	103,510	308,113

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

	Land RM'000	Buildings and 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
Company						
Depreciation and impairment loss						
At 1 January 2010	2,824	32,982	69,253	11,232	-	116,291
Charge for the year	168	1,872	3,016	937	-	5,993
Impairment loss	-	17,015	-	-	-	17,015
Disposals	-	-	(129)	(574)	-	(703)
Write-off	-	(685)	(142)	-	-	(827)
At 31 December 2010/1 January 2011						
Accumulated depreciation	2,992	34,169	71,998	11,595	-	120,754
Accumulated impairment losses	-	17,015	-	-	-	17,015
	2,992	51,184	71,998	11,595	-	137,769
Charge for the year	168	1,934	3,341	1,058	-	6,501
Disposals	-	-	-	(2,370)	-	(2,370)
Write-off	-	-	(1,059)	(18)	-	(1,077)
At 31 December 2011						
Accumulated depreciation	3,160	36,103	74,280	10,265	-	123,808
Accumulated impairment losses	-	17,015	-	-	-	17,015
	3,160	53,118	74,280	10,265	-	140,823
Carrying amounts						
At 1 January 2010	3,234	57,834	14,810	2,191	14,308	92,377
At 31 December 2010/1 January 2011	3,066	39,510	17,297	2,629	51,262	113,764
At 31 December 2011	5,925	38,656	16,156	3,043	103,510	167,290

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

3.1 Property, plant and equipment under the revaluation model

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

The Company has availed itself to the transitional provision when the MASB first issued FRS 116_{2004}, *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 buildings and jetty had they been carried under the cost model.

3.2 Land

Included in the carrying amounts of land are:

	2011 RM'000	2010 RM'000
Group		
Freehold land	3,468	1,346
Short term leasehold land	7,908	8,694
Long term leasehold land	6,516	3,884
	17,892	13,924
Company		
Long term leasehold land	5,925	3,066

Legal title to certain leasehold land of the Group with a carrying amount of RM4,083,000 (2010: RM1,091,000) have not been transferred to the respective subsidiaries.

3.3 Impairment loss

The Group assessed the recoverable amount of all property, plant and equipment and wrote down the carrying amount with respect of its buildings and jetty by RM532,000 (2010: RM17,015,000) and plant, machinery, fixtures and equipment by RM1,612,000 (2010: Nil) based on their recoverable scrap values. The impairment loss was recognised in other expenses.

Notes to the Financial Statements (cont'd)

4. Intangible assets

	Computer softwares Group RM'000	Computer softwares Company RM'000
Cost		
At 1 January 2010	8,704	5,267
Additions	331	135
Write-off	(543)	(8)
Effect of movements in exchange rates	(433)	-
At 31 December 2010/1 January 2011	8,059	5,394
Additions	264	21
Effect of movements in exchange rates	(142)	-
At 31 December 2011	8,181	5,415
Amortisation		
At 1 January 2010	6,124	4,644
Amortisation for the year	648	346
Write-off	(439)	(5)
Effect of movements in exchange rates	(177)	-
At 31 December 2010/1 January 2011	6,156	4,985
Amortisation for the year	498	173
Effect of movements in exchange rates	(49)	-
At 31 December 2011	6,605	5,158
Carrying amounts		
At 1 January 2010	2,580	623
At 31 December 2010/1 January 2011	1,903	409
At 31 December 2011	1,576	257

4.1 Intangible assets

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

4.2 Amortisation

The amortisation is allocated to the income statements on a straight-line basis over the intangible assets' estimated useful lives.

5. Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost/Valuation			
At 1 January 2010/31 December 2010/ 1 January 2011/31 December 2011	3,943	2,836	6,779
Representing items:			
- At cost	369	1,096	1,465
- At valuation	3,574	1,740	5,314
	3,943	2,836	6,779
Depreciation			
At 1 January 2010	-	1,160	1,160
Charge for the year	-	57	57
At 31 December 2010/1 January 2011	-	1,217	1,217
Charge for the year	-	57	57
At 31 December 2011	-	1,274	1,274
Carrying amounts			
At 1 January 2010	3,943	1,676	5,619
At 31 December 2010/1 January 2011	3,943	1,619	5,562
At 31 December 2011	3,943	1,562	5,505

5. Investment properties (cont'd)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Company			
Cost/Valuation			
At 1 January 2010/31 December 2010/ 1 January 2011/31 December 2011	3,672	2,836	6,508
Representing items:			
- At cost	98	1,096	1,194
- At valuation	3,574	1,740	5,314
	3,672	2,836	6,508
Depreciation			
At 1 January 2010	-	1,160	1,160
Charge for the year	-	57	57
At 31 December 2010/1 January 2011	-	1,217	1,217
Charge for the year	-	57	57
At 31 December 2011	-	1,274	1,274
Carrying amounts			
At 1 January 2010	3,672	1,676	5,348
At 31 December 2010/1 January 2011	3,672	1,619	5,291
At 31 December 2011	3,672	1,562	5,234

The fair value of the investment properties for the Group and the Company as at 31 December 2011 approximate RM38,487,000 (2010: RM33,871,000) and RM37,937,000 (2010: RM33,321,000) respectively.

5. Investment properties (cont'd)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	222	205	257	241
Direct operating expenses of investment properties:				
- revenue generating investment properties	45	43	51	51

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

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004}, *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.

6. Investments in subsidiaries

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares at cost	234,930	234,930

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

Name of subsidiary	Principal activities	Effective ownership interest 2011 %	Effective ownership interest 2010 %
Dindings Soya & Multifeeds Sdn. Berhad	Manufacture and sale of animal feeds and related raw materials	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

6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest 2011 %	2010 %
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, purchase and contract farming of poultry for resale	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 International Ltd (incorporated in British Virgin Islands) #	Investment holding	100	100
MFM Property Sdn. Bhd.	Investment holding	100	100
Dindings Grand Parent Farm Sdn. Bhd.	Dormant	100	100
MFM Ltd.	Dormant	100	100
Premier Grain Sdn. Bhd.	Trading in corn, soyabean meal and other feed ingredients.	51	51
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

7. Investments in associates

	Group 2011 RM'000	Group 2010 RM'000
Unquoted shares at cost	2,815	2,815
Share of post-acquisition reserves	(1,331)	(2,815)
	1,484	-

Summary financial information for associates, not adjusted for the percentage ownership held by the 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
2011						
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	92,383	3,710	8,383	(4,395)
Freeman Properties Holding Ltd*	Cambodia	49	-	(19)	1,053	(1,081)
2010						
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	76,931	(80)	6,571	(6,293)
Freeman Properties Holding Ltd*	Cambodia	49	-	(41)	1,029	(1,038)

+ Held through Dindings Soya & Multifeeds Sdn. Berhad
* Held through MFM Property Sdn. Bhd.

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group						
Property, plant and equipment	2,112	285	(9,689)	(9,401)	(7,577)	(9,116)
Revaluation on property, plant and equipment	-	-	(2,750)	(2,888)	(2,750)	(2,888)
Provisions	9,780	7,384	-	-	9,780	7,384
Tax losses carry-forward	250	1,651	-	-	250	1,651
Tax assets/(liabilities)	12,142	9,320	(12,439)	(12,289)	(297)	(2,969)
Set off	(7,020)	(5,189)	7,020	5,189	-	-
Net tax assets/ (liabilities)	5,122	4,131	(5,419)	(7,100)	(297)	(2,969)
Company						
Property, plant and equipment	-	-	(6,550)	(7,112)	(6,550)	(7,112)
Revaluation on property, plant and equipment	-	-	(2,750)	(2,888)	(2,750)	(2,888)
Provisions	5,450	2,900	-	-	5,450	2,900
Tax assets/(liabilities)	5,450	2,900	(9,300)	(10,000)	(3,850)	(7,100)
Set off	(5,450)	(2,900)	5,450	2,900	-	-
Net tax liabilities	-	-	(3,850)	(7,100)	(3,850)	(7,100)

8. Deferred tax assets/(liabilities) (cont'd)

Unrecognised deferred tax assets

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

	Group	
	2011 RM'000	2010 RM'000
Taxable temporary differences	(8,108)	(10,117)
Unutilised capital allowance	37,623	62,275
Tax loss carry-forwards	59,441	61,604
	88,956	113,762
Tax at 25% (2010: 25%)	22,239	28,440

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 there from.

Subject to agreement by the Inland Revenue Board, the Group has estimated unutilised reinvestment allowance amounting to Nil (2010: RM196,000) available at the balance sheet date to be carried forward to set off against future taxable income.

9. Trade and other receivables, including derivatives

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables		234,879	217,628	70,539	68,473
Amount due from subsidiaries	9.1	-	-	61,963	12,601
Other receivables	9.2	10,902	9,782	9,903	5,556
Deposits	9.3	5,036	1,655	885	1,017
Financial assets at fair value through profit or loss: - foreign currency forward contract		159	-	26	-
		250,976	229,065	143,316	87,647

9. Trade and other receivables, including derivatives (cont'd)

9.1 Amount due from subsidiaries

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

9.2 Other receivables

Included in other receivables of the Group are interest receivable from the deposits placed with licensed banks of RM710,766 (2010: RM2,172,000), insurance claimable of Nil (2010: RM1,589,000) and balances with related parties of RM182,000 (2010: RM284,000).

9.3 Deposits

Included in deposits of the Group is deposits paid for an acquisition of a freehold land of RM3,417,000 (2010: Nil).

10. Inventories

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Raw materials	302,183	281,647	104,458	88,328
Finished goods	22,875	17,320	6,905	4,884
Poultry livestocks and hatching eggs	17,724	12,026	-	-
Consumables	18,217	13,947	3,484	3,563
	360,999	324,940	114,847	96,775

The write-down of inventories to net realisable value for the Group and the Company amounted to RM11,089,000 (2010: RM901,000) and RM11,089,000 (2010: Nil) respectively. The write-down is included in cost of goods sold.

The reversal of write-down of inventories of the Group amounted to RM1,279,000 (2010: RM811,000) was made during the year when the related inventories were sold.

11. Cash and cash equivalents

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deposits placed with licensed banks	181,568	187,136	30,500	12,800
Cash and bank balances	19,299	34,838	10,240	19,401
	200,867	221,974	40,740	32,201

12. Capital and reserves

12.1 Share capital

	Group and Company Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
Authorised:				
Ordinary shares of RM1 each				
At 1 January	200,000	200,000	200,000	200,000
Subdivided to RM0.50 each	(200,000)	(200,000)	-	-
At 31 December	-	-	200,000	200,000
Ordinary shares of RM0.50 each				
At 1 January	-	-	-	-
Subdivided from RM1.00 each	200,000	400,000	-	-
Created during the year	300,000	600,000	-	-
At 31 December	500,000	1,000,000	-	-
Issued and fully paid:				
Ordinary shares at RM1 each	107,645	107,645	107,645	107,645

At an Extraordinary Meeting held on 19 October 2011, the shareholders of the Company had approved the increase in authorised share capital from RM200,000,000 comprising 200,000,000 shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 subdivided shares of RM0.50 each. On 31 January 2012, the Company's issued paid up capital was split which involved the subdivision of every one (1) existing ordinary share of RM1.00 each into (2) new ordinary shares of RM0.50 each. Pursuant to the share split, 107,644,606 ordinary shares of RM1.00 each of the Company were subdivided into 215,289,212 ordinary shares of RM0.50 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. Capital and reserves (cont'd)

12.2 Revaluation reserve

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

12.3 Other capital reserve

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

12.4 Translation reserve

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

12.5 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 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

13. Trade and other payables, including derivatives

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables		57,512	39,368	7,203	5,194
Amount due to subsidiaries	13.1	-	-	129,330	39,862
Other payables and accruals	13.2	50,798	46,125	17,216	17,903
Financial liabilities at fair value through profit or loss:					
- foreign currency forward contracts		-	1,914	-	-
		108,310	87,407	153,749	62,959

13. Trade and other payables, including derivatives (cont'd)

13.1 Amount due to subsidiaries

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

13.2 Other payables and accruals

Included in other payables and accruals of the Group and the Company are deposits from customers of RM7,329,000 and RM191,000 (2010: RM5,801,000 and RM186,000) respectively and an amount of Nil (RM743,000) payable to Mr Teh Liang Teik, a former Director and Chairman of the Company as retirement gratuity.

14. Loans and borrowings

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	445,373	385,172	142,759	113,995

Included in the Group's and the Company's loans and borrowings are unsecured revolving credits of RM242,540,000 (2010: RM171,847,000) and RM33,596,000 (2010: Nil) respectively, denominated in USD.

15. Operating profit

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating profit is arrived at after charging:					
Amortisation of intangible assets	4	498	648	173	346
Auditors' remuneration:					
- Audit services					
KPMG		246	225	66	66
Affiliates of KPMG		82	82	-	-
Other auditors		7	5	-	-
- Other services					
KPMG		22	22	22	22
Affiliates of KPMG		101	63	87	42
Bad debts written off		9	-	6	-
Depreciation of investment properties	5	57	57	57	57

15. Operating profit (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Depreciation of property, plant and equipment	3	18,496	16,418	6,501	5,993
Impairment loss:					
- Property, plant and equipment	3	2,144	17,015	-	17,015
- Trade receivables		960	2,087	-	-
- Other investments		-	60	-	60
Intangible assets written off		-	104	-	3
Interest expense from unsecured bankers' acceptances/ unsecured revolving credits		12,318	8,136	4,788	3,309
Inventories written down		11,089	901	11,089	-
Net realised loss on foreign exchange		9,074	2,579	513	923
Net unrealised loss on foreign exchange		1,470	-	900	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		8,547	7,383	4,080	3,899
- Wages, salaries and others		76,263	72,919	31,263	34,005
Property, plant and equipment written off		751	-	41	65
Rental expenses for premises		5,921	3,672	1,780	1,557
and after crediting:					
Dividends from subsidiaries (unquoted):					
- non tax exempt		-	-	960	960
- tax exempt		-	-	27,856	23,020
Gain on disposal of property, plant and equipment		3,986	369	418	88
Insurance recoveries		2,815	14,860	579	14,032
Interest income from deposits placed with licensed banks		17,113	10,043	1,051	737
Net unrealised gain on foreign exchange		-	3,256	-	-
Rental income from:					
- Investment properties		222	205	257	241
- Others		104	101	1,026	895
Reversal of impairment loss on trade receivables		2,358	2,675	-	1,000
Reversal of inventories written down		1,279	811	-	-

16. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors				
- Fees	562	600	562	600
- Remuneration	6,461	4,817	6,072	4,503
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	141	141	141	141
	7,164	5,558	6,775	5,244

17. Tax expense

Recognised in the income statements

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current tax expense				
Malaysian - current year	7,937	15,646	6,769	13,467
- prior year	(1,664)	(1,780)	(1,654)	(1,392)
Overseas - current year	7,809	15,336	-	-
Total current tax expense	14,082	29,202	5,115	12,075
Deferred tax expense				
Origination and reversal of temporary differences	3,532	2,009	(3,250)	(100)
Recognition of previously unrecognised temporary differences	(6,201)	(3,644)	-	-
Total deferred tax expense	(2,669)	(1,635)	(3,250)	(100)
Total tax expense	11,413	27,567	1,865	11,975
Reconciliation of tax expense				
Profit for the year	92,198	100,326	39,455	41,068
Total tax expense	11,413	27,567	1,865	11,975
Profit before tax	103,611	127,893	41,320	53,043

17. Tax expense (cont'd)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Reconciliation of tax expense (cont'd)				
Tax at Malaysian tax rate of 25% (2010: 25%)	25,903	31,973	10,330	13,261
Effect of tax rates in foreign jurisdiction*	(5,632)	(5,031)	-	-
Non-deductible expenses	2,233	9,344	253	7,935
Non-taxable income	(59)	(1,892)	(6,964)	(7,647)
Tax incentives**	(3,167)	(1,346)	(100)	(125)
Recognition of previously unrecognised temporary differences	(6,201)	(3,644)	-	-
Tax savings from group relief	-	(57)	-	(57)
	13,077	29,347	3,519	13,367
Over provision in prior years	(1,664)	(1,780)	(1,654)	(1,392)
	11,413	27,567	1,865	11,975

* A subsidiary in a foreign jurisdiction was granted a 50% tax reduction whilst another foreign subsidiary was subject to a 25% tax rate on its taxable income and an exemption for income from an additional production line for the first 3 years commencing 2007 and thereafter, a 50% tax reduction for the next 5 years.

** Additionally, both foreign subsidiaries' operations meet the definition of Small and Medium Enterprises and are entitled to an additional 30 per cent reduction of income tax expense for the year 2011. The Group and the Company are also entitled to the double deduction for marine insurance.

18. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary equity holders of RM80,872,000 (2010: RM84,824,000) and the number of ordinary shares outstanding of 107,645,000 (2010: 107,645,000).

Notes to the Financial Statements (cont'd)

19. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2011			
Final 2010 ordinary	3.75	4,037	13 June 2011
Special 2010 ordinary	11.25	12,110	13 June 2011
Total amount		16,147	
2010			
Interim 2010 ordinary	4.50	4,844	15 December 2010
Final 2009 ordinary	3.75	4,037	5 July 2010
Special 2009 ordinary	7.50	8,073	5 July 2010
Total amount		16,954	

The Directors proposed to declare a special dividend of 62 sen per ordinary share of RM0.50 each (subdivided ordinary shares) less tax at 25% totalling approximately RM100,109,000 (46.50 sen net per ordinary share of RM0.50 each) in respect of the year ended 31 December 2011 ("Proposed Special Dividend"). This Proposed Special Dividend was conditional upon the Company obtaining all relevant approvals for the Proposals and the completion of the Proposed Share Split as stated in Note 25. The Proposals were approved at the Extraordinary General Meeting of the Company held on 19 October 2011 and the Proposed Share Split was completed on 31 January 2012.

At the date of this report, the date of the payment of the Proposed Special Dividend has yet to be determined.

The Directors do not recommend any payment of final dividend for the year under review.

20. Operating segments

Segment information is presented in respect of the Group's business and geographical segments. For each business and geographical segments, the Group's chief operating decision maker reviews internal management report on a regular basis.

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 and trading in feed ingredients — 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

The Group's other operations include companies that had ceased operations in prior years and dormant companies. None of these segments meets any of the quantitative threshold for determining reportable segments in 2011 or 2010.

20. Operating segments (cont'd)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment total asset is used to measure the return of assets of each segment.

	Flour and trading in grains & other allied products		Feeds and trading in feed ingredients		Poultry integration		Others		Eliminations		Consolidated	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Business segments												
Revenue from external customers	858,271	764,489	586,520	440,098	473,624	350,504	-	-	-	-	1,918,415	1,555,091
Inter-segment revenue	20,191	12,534	11,250	4,064	1,543	4,482	-	-	(32,984)	(21,080)	-	-
Total segment revenue	878,462	777,023	597,770	444,162	475,167	354,986	-	-	(32,984)	(21,080)	1,918,415	1,555,091
Results from operating activities	65,927	109,075	10,949	12,375	17,094	4,847	3,377	(168)	-	-	97,347	126,129
Interest income	16,816	9,399	882	644	-	-	2	-	(587)	-	17,113	10,043
Interest expense	(9,214)	(5,239)	(2,437)	(2,025)	(1,254)	(872)	-	-	587	-	(12,318)	(8,136)
Share of profit/(loss) after tax of equity accounted associates	-	-	-	-	1,469	(143)	-	-	-	-	1,469	(143)
Profit/(Loss) before tax	73,529	113,235	9,394	10,994	17,309	3,832	3,379	(168)	-	-	103,611	127,893
Depreciation and amortisation	10,718	10,760	803	629	7,466	5,734	64	-	-	-	19,051	17,123
Tax expense	(9,349)	(27,174)	(1,398)	(2,488)	(666)	2,095	-	-	-	-	(11,413)	(27,567)
Impairment loss on property, plant and equipment	-	17,015	-	-	2,144	-	-	-	-	-	2,144	17,015
Insurance recoveries	579	14,032	1,367	72	869	756	-	-	-	-	2,815	14,860
Non-cash expenses other than depreciation and amortisation	18,776	267	(757)	4,749	464	231	3	-	-	-	18,486	5,247
Capital expenditure	75,046	45,335	2,313	1,678	40,316	20,589	-	-	-	-	117,675	67,602
Segment assets	786,133	656,679	164,756	206,467	196,359	150,598	14	1,968	-	-	1,147,262	1,015,712
Investment in associates	-	-	-	-	1,484	-	-	-	-	-	1,484	-
Total segments assets	786,133	656,679	164,756	206,467	197,843	150,598	14	1,968	-	-	1,148,746	1,015,712

20. Operating segments (cont'd)

Geographical segments

	Malaysia		Vietnam		Consolidated	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue from external customers	1,478,520	1,141,878	439,895	413,213	1,918,415	1,555,091
Non-current assets	277,660	192,981	51,347	42,837	329,007	235,818

Major customers

There were no customers with revenue equal or more than 10% of the Group's total revenue for the year ended 31 December 2011.

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL); and
(c) Other financial liabilities measured at amortised cost (OL).

	Note	Carrying amount RM'000	L&R/ (OL) RM'000	FVTPL RM'000
Group				
Financial assets				
2011				
Trade and other receivables, including derivatives	9	250,976	250,817	159
Cash and cash equivalents	11	200,867	200,867	-
		451,843	451,684	159
2010				
Trade and other receivables	9	229,065	229,065	-
Cash and cash equivalents	11	221,974	221,974	-
		451,039	451,039	-

21. Financial instruments (cont'd)

21.1 Categories of financial instruments (cont'd)

	Note	Carrying amount RM'000	L&R/ (OL) RM'000	FVTPL RM'000
Company				
Financial assets				
2011				
Trade and other receivables including derivatives	9	143,316	143,290	26
Cash and cash equivalents	11	40,740	40,740	-
		184,056	184,030	26
2010				
Trade and other receivables	9	87,647	87,647	-
Cash and cash equivalents	11	32,201	32,201	-
		119,848	119,848	-
Group				
Financial liabilities				
2011				
Trade and other payables	13	(108,310)	(108,310)	-
Loans and borrowings	14	(445,373)	(445,373)	-
		(553,683)	(553,683)	-
2010				
Trade and other payables, including derivatives	13	(87,407)	(85,493)	(1,914)
Loans and borrowings	14	(385,172)	(385,172)	-
		(472,579)	(470,665)	(1,914)
Company				
Financial liabilities				
2011				
Trade and other payables	13	(153,749)	(153,749)	-
Loans and borrowings	14	(142,759)	(142,759)	-
		(296,508)	(296,508)	-
2010				
Trade and other payables	13	(62,959)	(62,959)	-
Loans and borrowings	14	(113,995)	(113,995)	-
		(176,954)	(176,954)	-

21. Financial instruments (cont'd)

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- foreign currency forward contracts	159	(1,914)	26	-
Available-for-sale financial asset	-	(60)	-	(60)
Loans and receivables	17,533	10,631	119	1,737
Financial liabilities measured at amortised cost	(22,382)	(7,459)	(5,302)	(4,232)
	(4,690)	1,198	(5,157)	(2,555)

21.3 Financial risk management

The Group has exposure to credit, interest rate, currency and liquidity risks from its use of financial instruments.

21.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the 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.

21. Financial instruments (cont'd)

21.4 Credit risk (cont'd)

Exposure to credit risk and credit quality

At the balance sheet date, the maximum exposure to credit risk arising from receivables is represented by their carrying amounts in the balance sheets.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 3 months, which are deemed to have higher credit risk, are monitored individually. The trade receivables balances which are past due more than 3 months but not impaired for the Group and the Company amounted to RM1,077,000 (2010: RM248,000) and Nil (2010: Nil), respectively.

The exposure of credit risk for trade receivables as at the balance sheet date by geographic region was:

	Group	
	2011 RM'000	2010 RM'000
Malaysia	189,932	171,673
Vietnam	44,947	45,955
	234,879	217,628

Impairment losses

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	5,888	7,405	1,477	2,490
Impairment loss recognised	960	2,087	-	-
Impairment loss reversed	(2,358)	(2,675)	-	(1,000)
Impairment loss written off	(233)	(869)	(35)	(13)
Effect of movements in exchange rate	(29)	(60)	-	-
At 31 December	4,228	5,888	1,442	1,477

21. Financial instruments (cont'd)

21.4 Credit risk (cont'd)

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Intercompany balances

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the balance sheet date, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

As at the balance sheet date, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries.

21.5 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

The Group and the Company's bank borrowings and interest bearing deposits are both subject to interest based on fixed rates. Market interest rates movements are monitored with the view to ensuring 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.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on the carrying amounts as at the balance sheet date was:

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	11	181,568	187,136	30,500	12,800
Unsecured bankers' acceptances/ unsecured revolving credits	14	(445,373)	(385,172)	(142,759)	(113,995)
		(263,805)	(198,036)	(112,259)	(101,195)

21. Financial instruments (cont'd)

21.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the balance sheet date would not affect the income statements.

21.6 Foreign currency risk

The Group and the Company are 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).

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The Group's and Company's exposure to foreign currency (a currency which is other than the currency of the Group entities and of the Company) risk, based on carrying amounts as at the balance sheet date was:

	Note	2011	2010
		Denominated in	
		USD	USD
RM'000			
Group			
Unsecured bankers' acceptances/ Unsecured revolving credits	14	(242,540)	(171,847)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	9	159	-
Financial liabilities at fair value through profit or loss:			
- foreign currency forward contracts	13	-	(1,914)
Exposure in the balance sheets		(242,381)	(173,761)
Company			
Unsecured bankers' acceptances/ Unsecured revolving credits	14	(33,596)	-
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	9	26	-
Exposure in the balance sheets		(33,570)	-

21. Financial instruments (cont'd)

21.6 Foreign currency risk (cont'd)

Currency risk sensitivity analysis

A 5 percent (2010: 5 percent) strengthening/weakening of RM against USD at the balance sheet date would have increased/decreased equity and post tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2011 Equity RM'000	2011 Profit or loss RM'000	2010 Equity RM'000	2010 Profit or loss RM'000
Group				
USD	-	3,600	-	760
Company				
USD	-	905	-	-

21.7 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company monitor and maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The following table indicates the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on undiscounted contractual payments:

	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Group					
2011					
Non-derivative financial liabilities					
Trade and other payables	13	108,310	-	108,310	108,310
Unsecured bankers' acceptances/ Unsecured revolving credits	14	445,373	0.90-5.19	448,367	448,367
		553,683		556,677	556,677

21. Financial instruments (cont'd)

21.7 Liquidity risk (cont'd)

	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2010					
Non-derivative financial liabilities					
Trade and other payables, excluding derivatives	13	85,493	-	85,493	85,493
Unsecured bankers' acceptances/ Unsecured revolving credits	14	385,172	0.89 – 6.46	391,029	391,029
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow	13	1,914	-	76,943	76,943
		472,579		553,465	553,465
Company					
2011					
Non-derivative financial liabilities					
Trade and other payables	13	153,749	-	153,749	153,749
Unsecured bankers' acceptances/ Unsecured revolving credits	14	142,759	1.04 – 3.55	144,178	144,178
		296,508		297,927	297,927
2010					
Non-derivative financial liabilities					
Trade and other payables	13	62,959	-	62,959	62,959
Unsecured bankers' acceptances/ Unsecured revolving credits	14	113,995	3.14 – 3.67	115,264	115,264
		176,954		178,223	178,223

21. Financial instruments (cont'd)

21.8 Fair value of financial instruments

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

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

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Foreign currency forward contracts:				
Assets	159	159	-	-
Liabilities	-	-	1,914	1,914
Company				
Foreign currency forward contracts:				
Assets	26	26	-	-

Derivatives

The fair value of foreign currency forward contracts is calculated using inputs other than unadjusted quoted prices in an active market that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

21.8.1 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS7.

The following financial instruments carried at fair value using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Total RM'000
Group	
Foreign currency forward contracts	159
Company	
Foreign currency forward contracts	26

22. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern.

The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	Group	
	2011 RM'000	2010 RM'000
Total borrowings (Note 14)	445,373	385,172
Less: Cash and cash equivalents (Note 11)	(200,867)	(221,974)
Net debt	244,506	163,198
Total equity	576,383	522,835
Debt-to-equity ratio	0.4	0.3

23. Capital and other commitments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment				
Authorised but not contracted for	40,783	89,317	17,289	28,236
Contracted but not provided for	64,635	97,916	47,107	85,774
Investment in an associate				
Contracted but not provided for	14,258	-	14,258	-

24. 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.

24. Related parties (cont'd)

Identity of related parties (cont'd)

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 include all the Directors of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation (Note 16), are as follows:

	2011 RM'000	2010 RM'000
Group and Company		
Services rendered, hiring of motor vehicles and rental of premises from companies in which a Director, Teh Wee Chye, has financial interest		
- Pembena Transport Sdn. Bhd.	(45)	(20)
- Indah Enterprise Sdn. Bhd.	(31)	(42)
- Thye Nam Loong Holdings Sdn. Bhd.	(24)	(24)
Company		
Subsidiaries		
- Sales of goods	32,368	12,534
- Rental of premises	459	459
- Rental of furniture and fittings	147	147
- Rental of equipment	431	325
- Rental of motor vehicle	25	-
- Management fees	802	602

Balances with subsidiaries and related parties are disclosed in Note 9 and 13. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.

25. Significant events during the year

25.1 On 5 October 2011, the Company entered into a Shareholders' Agreement with PT FKS Capital, Toyota Tsusho Corporation, Toyota Tsusho (Singapore) Pte Ltd and PT Toyota Tsusho Indonesia for the purpose of establishing a joint venture company named PT Bungasari Flour Mills Indonesia to carry out the business of flour milling and distribution of flour products and by-products. Subsequent to year end, the Company entered into a Share Purchase Agreement as stated in Note 26.

25. Significant events during the year (cont'd)

25.2 At an Extraordinary General Meeting held on 19 October 2011, the shareholders of the Company had approved the following:

a) Share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each in the Company ("subdivided shares") ("Proposed Share Split") ;

b) Renounceable rights issue of 215,289,212 new subdivided shares together with 107,644,606 free detachable new warrants and 107,644,606 new subdivided bonus shares attached on the basis of two (2) rights shares together with one (1) warrant and one (1) bonus share for every two (2) subdivided shares held after the share split; and

c) Increase in authorised share capital from RM200,000,000 comprising 200,000,000 shares to RM500,000,000 comprising 1,000,000,000 subdivided shares.

The above are collectively known as "Proposals".

On the same day, the Company had increased its authorised share capital from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by subdividing 200,000,000 ordinary shares of RM1.00 each into 400,000,000 ordinary shares of RM0.50 each and the creation of an additional 600,000,000 ordinary shares of RM0.50 each.

Item (a) and (b) above have not been completed as at year end.

26. Subsequent events

26.1 On 31 January 2012, the Company's issued paid-up capital was split which involved the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each. Pursuant to the share split, 107,644,606 ordinary shares of RM1.00 each of the Company were subdivided into 215,289,212 ordinary shares of RM0.50 each.

26.2 On 21 February 2012, the Company entered into a Share Purchase Agreement with PT FKS Capital, Smart Capital Investment Pte Ltd, Toyota Tsusho Corporation, Toyota Tsusho (Singapore) Pte Ltd and PT Toyota Tsusho Indonesia for the sale and purchase of the equity in the joint venture company, PT Bungasari Flour Mills Indonesia. The Company acquired 30% of the total issued shares of 15,000 shares of USD1,000 each in PT Bungasari Flour Mills Indonesia for a cash consideration of approximately USD4.5 million.

27. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the balance sheet date, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	284,539	234,469	234,785	213,827
- unrealised	(1,767)	(1,627)	(4,750)	(7,100)
	282,772	232,842	230,035	206,727
Add: Consolidation adjustments	94,431	95,489	-	-
Total retained earnings	377,203	328,331	230,035	206,727

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

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 39 to 102 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2011 and of their financial performance and cash flows for the year then ended.

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

Tan Sri Dato' Seri Arshad bin Ayub

Teh Wee Chye

Kuala Lumpur
19 March 2012

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 39 to 103 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 19 March 2012.

Quah Ban Lee

Before me:

K. Nermala (W378)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Malayan Flour Mills Berhad

Report on the Financial Statements

We have audited the financial statements of Malayan Flour Mills Berhad, which comprise the balance sheets as at 31 December 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 102.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report (cont'd)

to the members of Malayan Flour Mills Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 172(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation on such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 172 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang
Approval Number: 2782/09/12(J)
Chartered Accountant

Petaling Jaya
19 March 2012

Analysis of Shareholdings

as at 19 March 2012

Authorised Capital	-	RM500,000,000
Issued and fully paid	-	RM107,644,606.00
Class of shares	-	215,289,212 Ordinary shares of RM0.50 each

5,551 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	196	3.53	4,804	0.00
100 to 1,000	696	12.54	503,836	0.24
1,001 - 10,000	3,689	66.46	15,516,586	7.21
10,001 - 100,000	853	15.37	24,303,852	11.29
100,001 to less than 5% of issued shares	113	2.03	119,405,604	55.46
5% and above of issued shares	4	0.07	55,554,530	25.80
	5,551	100.00	215,289,212	100.00

	Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
1	HSBC Nominees (Asing) Sdn Bhd [Exempt An For Credit Suisse (SG BR-TST-ASING)]	19,499,000	9.06
2	Duangmanee Liewphairatana	13,152,350	6.11
3	Teh Wee Chye	12,149,616	5.64
4	Thye Nam Loong Holdings Sdn Bhd	10,766,564	5.00
5	Yong Kok Yian	10,686,549	4.96
6	Astar Commercial Limited	10,626,000	4.94
7	Teh Wee Kok	9,959,349	4.63
8	Tan Sri Dato' Seri Arshad bin Ayub	9,306,770	4.32
9	Star Hill Avenue (M) Sdn Bhd	8,096,000	3.76
10	A. A. Anthony Nominees (Asing) Sdn Bhd [Solid Esteem Sdn Bhd for Wise Bright Investment Limited]	7,001,144	3.25
11	Zalaraz Sdn Bhd	5,848,000	2.72

Analysis of Shareholdings (cont'd)

as at 19 March 2012

	Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
12	Onas Resources Sdn Bhd	5,600,000	2.60
13	Amble Volume Sdn Bhd	5,484,000	2.55
14	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Essence Lane Sdn Bhd]	4,467,458	2.08
15	A. A. Anthony Nominees (Asing) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	3,144,342	1.46
16	Voon Chong Kian	2,480,000	1.15
17	Teh Li Choo	2,114,684	0.98
18	Favourite Access Sdn Bhd	2,000,000	0.93
19	Solid Esteem Sdn Bhd	1,728,000	0.80
20	RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Susy Ding (CEB)]	1,230,000	0.57
21	Teh Wee Min	1,221,566	0.57
22	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Teh Yang Heng]	1,100,600	0.51
23	Yeoh Kean Hua	970,700	0.45
24	HSBC Nominees (Asing) Sdn Bhd [Caceis BK FR for Prevoir Renaissance Vietnam]	860,000	0.40
25	Teh Wei Siong	812,000	0.38
26	Dato' Hj Shaharuddin bin Hj Haron	800,000	0.37
27	Allison Foo May Ling	800,000	0.37
28	Teh Kok Boon	765,900	0.36
29	ECML Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Gan Kong Hiok (001)]	745,200	0.35
30	Late Teh Liang Teik	727,200	0.34

Analysis of Shareholdings (cont'd)

as at 19 March 2012

Substantial Shareholders

Name	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Teh Wee Chye	12,149,616	5.64	15,528,088(1)	7.21
Duangmanee Liewphairatana	13,152,350	6.11	11,036,630(2)	5.13
Teh Wee Kok	9,959,349	4.63	11,036,630(3)	5.13
Yong Kok Yian	10,686,549	4.96	2,727,200(4)	1.27
Thye Nam Loong Holdings Sdn Bhd	10,766,564	5.00	270,066(5)	0.13
Tan Sri Dato' Seri Arshad bin Ayub	9,306,770	4.32	5,848,000(6)	2.72

Directors' Interests in the Company and its Related Corporations

Name	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Tan Sri Dato' Seri Arshad bin Ayub	9,306,770	4.32	5,848,000(6)	2.72
Teh Wee Chye	12,149,616	5.64	15,528,088(1)	7.21
Dato' Hj Shaharuddin bin Hj Haron	800,000	0.37	-	-
Geh Cheng Hooi	-	-	622,000(7)	0.29
Quah Ban Lee	470,000	0.22	-	-
Datuk Oh Chong Peng	2,000	0	-	-
Lim Pang Boon	83,600	0.04	-	-
Thong Kok Mun	-	-	240,000(8)	0.11
Dato' Wira Zainal Abidin bin Mahamad Zain	2,000	0	-	-
Prakash A/L K.V.P Menon	-	-	-	-

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.

Analysis of Shareholdings (cont'd)

as at 19 March 2012

Notes:

(1) *Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholding of his spouse.*

(2) *Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.*

(3) *Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.*

(4) *Deemed interested through Favourite Access Sdn Bhd and the shareholding of the late Teh Liang Teik.*

(5) *Deemed interested through Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.*

(6) *Deemed interested through Zalaraz Sdn Bhd.*

(7) *Deemed interested through Emmel Sdn Bhd and shareholding of his spouse.*

(8) *Deemed interested through shareholding of his spouse.*

List of Properties

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-11 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	51	9 Sept 1996	3,405,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acre	Commercial land and building	72	4 Dec 1996	1,606,000
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) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) PT 4333 HSD 28222/ PT 4334 HSD 28223 (expiring on 25-4-2075) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Office and factory	30-45	6 Oct 1998	27,466,000
Freehold land with shophouses Grant No. 36370, Lot No. 12256 Mukim of Pulai District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Shoplot	32	1991	153,000

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 31-12-11 RM
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	19	3 Feb 1995	26,690,000
Leasehold land with building HSD 34668 PTD 6411 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Melaka Total: 0.13 acre	Shoplot	14	1997	443,000
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.13 acre	Factory	12	1999	550,000
Leasehold land PLO 564 Zone 10 Pasir Gudang Industrial Area Mukim of Plentong District of Johor Bahru, Johor (Title yet to be issued) Total: 4.566 acres	Vacant land	-	2011	3,027,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	22	13 Mar 1995	13,364,000

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 31-12-11 RM
Leasehold land with building PN 108306, Lot 6478 Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 16.1 acres	Office and factory	21	10 Mar 1995	5,064,000
Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Residential house	20	1990	42,000
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	19	1992	6,521,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000
Freehold land GM 3937, Lot 12553 Mukim of Bagan Serai District of Kerian Perak Darul Ridzuan Total: 2.19 acres	Vacant land	-	1990	1

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 31-12-11 RM
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	14	1994	13,767,000
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	15	2000	1,898,000
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	9	2000	12,372,000
Leasehold land with farm buildings HS(D) 3/74, PT29 HS (D) 4/74, PT 30 (expiring on 7-5-2034) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 25.81 acres	Breeder Farm	1	2010	3,299,000
Freehold land with farm buildings Geran Nos 110919, 110936, 110937 110940 & 110941 Lots 65276, 65297, 65298, 65301 & 65302 Mukim of Sungai Terap District of Kinta Perak Darul Ridzuan Total: 25.9063 acres	Broiler Farm	-	2011	4,063,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 9 May 2012 at 10.00 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. [Please refer to note (1)].

2. 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 1)**

3. To re-elect Mr Lim Pang Boon 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 re-elect Mr Prakash A/L K.V.P Menon who retires in accordance with Article 98 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 3)**

5. To consider and if thought fit, pass the following motions: -

   (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Dato' Seri Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 4)**

   (b) "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"; and **(Resolution 5)**

   (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Dato' Hj Shaharuddin bin Hj Haron be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 6)**

6. 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)

7. As Special Business:-

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

   7.1 Special Resolution **(Resolution 8)**
   Proposed Amendments to the Articles of Association of the Company

   "THAT the amendments to the Articles of Association of the Company in the manner as set out in **Appendix I** attached to the Circular to Shareholders dated 17 April 2012 be and are hereby approved **AND THAT** the Directors and Secretary be and are hereby authorised to carry out all the necessary formalities in effecting the aforesaid amendments **AND FURTHER THAT** the Directors be authorised with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

   7.2 Ordinary Resolution 1 **(Resolution 9)**
   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."

   7.3 Ordinary Resolution 2 **(Resolution 10)**
   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 , the nature of which is set out in Section 2 of the Circular to Shareholders dated 17 April 2012 for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements, subject to the following:-

(a) 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;

(b) 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

(c) 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."

7.4 Ordinary Resolution 3 **(Resolution 11)**
Proposed Renewal of Authority for Share Buy-Back

"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 RM0.50 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;

Notice of Annual General Meeting (cont'd)

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

(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."

8. 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
17 April 2012

Notice of Annual General Meeting (cont'd)

Notes:-

1. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.*
2. *A member entitled to attend and vote at the 52nd 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.*
3. *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.*
4. *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.*
5. *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.*
6. *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.*
7. *For the purpose of determining a member who shall be entitled to attend this 52nd 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 2 May 2012. 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.*
8. *Notes on Special Business*

   Resolution 8

   The proposed Resolution 8, if passed, will bring the Articles of Association of the Company in line with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Securities.

   Resolution 9

   The proposed Resolution 9, 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 10

   The proposed Resolution 10, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad 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.

   Resolution 11

   The proposed Resolution 11, 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.

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

1. Tan Sri Dato' Seri Arshad bin Ayub

(Independent Non-Executive Chairman)

Tan Sri Dato' Seri Arshad bin Ayub, aged 83, a Malaysian, was appointed to the Board of the Company on 30 August 2002 and is presently the Chairman of the Company. He is also the Chairman of the Remuneration Committee, a member of the Audit and Nomination 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, Sindora Berhad, LBI Capital Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad and Bistari Johor Berhad.

He has a direct interest of 4.32% in the Company which represents 9,306,770 ordinary shares and an indirect interest of 2.72% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 5,848,000 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 Geh Cheng Hooi

(Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 77, a Malaysian, was appointed to the Board of the Company on 11 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. He is also a Fellow of The Institute of Chartered Accountants in England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Lingui Developments Berhad and Paramount Corporation Berhad.

He has an indirect interest of 0.29% in the Company by virtue of his directorship and indirect interest through shares of 40,000 held by his spouse and shareholding in Emmel Sdn Bhd which holds 582,000 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.

3. Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 73, a Malaysian, was appointed to the Board of the Company on 23 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 and Latitude Tree Holdings Berhad.

He holds 800,000 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____

or the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Fifty-Second Annual General Meeting of the Company to be held on Wednesday, 9 May 2012 at 10.00 a.m. and at any adjournment thereof.

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

NO.	MOTIONS	FOR	AGAINST
1	Re-election of Mr Quah Ban Lee under Article 111 of the Company's Articles of Association		
2	Re-election of Mr Lim Pang Boon under Article 111 of the Company's Articles of Association		
3	Re-election of Mr Prakash A/L K.V.P Menon under Article 98 of the Company's Articles of Association		
	Re-appointment of the following Directors pursuant to Section 129(6) of the Companies Act, 1965:-		
4	a. Tan Sri Dato' Seri Arshad bin Ayub		
5	b. Mr. Geh Cheng Hooi		
6	c. Dato' Hj Shaharuddin bin Hj Haron		
7	Re-appointment of Auditors		
8	Proposed Amendments to the Articles of Association of the Company		
9	Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
11	Proposed Renewal of Authority for Share Buy-Back		

Dated this _________ day of _______________, 2012.

_____________________ Number of shares held

_________________________________ Signature/Common Seal of Shareholder

Notes:-

1. *A member entitled to attend and vote at the 52nd 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 52nd 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 2 May 2012. 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.*

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AFFIX
STAMP
HERE

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

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Ayam Dindings
Love Quality Love Dindings
AYAM DINDINGS
Since 1985
No MSG
Tiada MSG
No Trans Fat
Tiada Trans Lemak
MS 1500 : 2009
1 023 - 11/2004
Establishment No.21
ISO 9001:2008
Certified Company
HACCP
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BUATAN MALAYSIA

Malayan Flour Mills Berhad (4260-M)
HEAD OFFICE: 22nd Floor, Wisma MCA, 163, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel: (603) 2170 0999 (GL), Fax: (603) 2170 0888
www.mfm.com.my