



**Malayan Flour Mills Berhad**  
(4260-M)

**POSITIVE GROWTH** / annual report 2013





**TANPA  
BAHAN PEMUTIH**

**Diperkaya dengan  
Vitamin B1, B2,  
Niasin & Zat Besi**



**Baru**

**Sesuai Untuk  
Kek • Kuih • Mee • Biskut •  
Cucur • Pisang Goreng, dll**



**Malayan Flour Mills Berhad**

(4260-M)

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# Corporate Information

## Chairman

### **Tan Sri Dato' Seri Utama Arshad bin Ayub**

P.S.M., S.P.M.S., S.U.N.S., S.P.S.K., P.N.B.S., D.P.M.P., D.P.M.J., D.S.A.P., D.P.M.T., D.S.L.J. (Brunei), 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**

P.J.N., J.S.M.

**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**

**Tan Sri Mohd Sidek bin Haji Hassan**

P.M.N., P.S.M., S.J.M.K., S.P.M.S., S.P.C.M., S.S.A.P., S.U.M.W., D.G.S.M., P.N.B.S., D.H.M.S., D.I.M.P., K.M.N.

**Azhari Arshad**

## 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 Utama Arshad bin Ayub**

*(Independent Non-Executive Director)*

**Datuk Oh Chong Peng**

*(Independent Non-Executive Director)*

**Dato' Wira Zainal Abidin bin Mahamad Zain**

*(Independent Non-Executive Director)*

**Azhari Arshad**

*(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](http://www.mfm.com.my)

## Registrars

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, 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 Pasir Gudang

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)
- Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A (Rabobank Nederland) (050090C)
- Bangkok Bank Berhad (299740-W)
- Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (302316-U)
- OCBC Bank (Malaysia) Berhad (29548-W)

## Stock Exchange Listing

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

## Solicitors

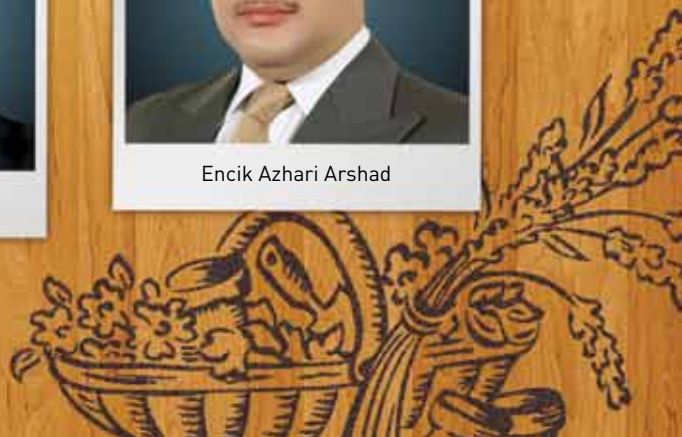
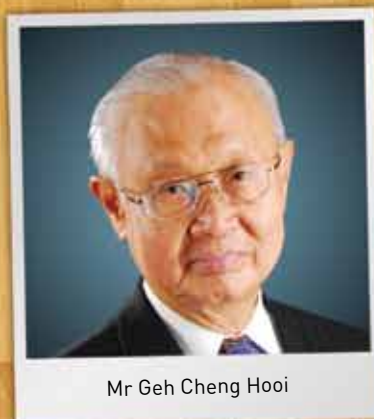
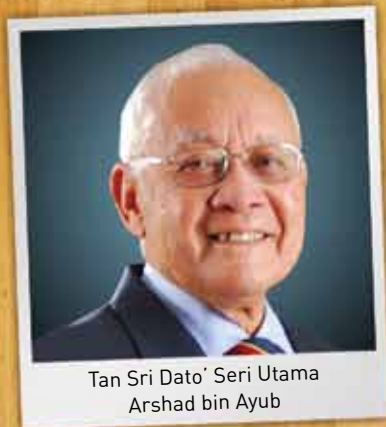
Isharidah, Ho, Chong & Menon  
Skrine

## Auditors

KPMG



# Board of Directors



# Directors' Profile

## Tan Sri Dato' Seri Utama Arshad bin Ayub

(Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub, aged 85, 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 and Nomination Committees as well as member of the Audit Committee 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, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Bistari Johor Berhad and Karex Berhad. Encik Azhari Arshad who is also a Director of the Company is his son. He has no family relationship with the other Directors and/or major shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## Mr Teh Wee Chye

(Managing Director)

Mr Teh Wee Chye, aged 61, 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 major shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He is deemed interested in various related party transactions with the Group.



# Directors' Profile (cont'd)

## Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 75, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit Committee 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 major shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## Mr Geh Cheng Hooi

(Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 79, 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 of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). Presently, he sits on the Board of Wawasan TKH Holdings Berhad. He has no family relationship with any Director and/or major shareholder of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## Mr Quah Ban Lee

(Finance Director)

Mr Quah Ban Lee, aged 56, 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 of 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 30 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 major shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.



## **Datuk Oh Chong Peng**

**(Independent Non-Executive Director)**

Datuk Oh Chong Peng, aged 69, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit and Remuneration Committees 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, Kumpulan Europlus Berhad and Dialog Group Berhad.

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.

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 all the 7 Board Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

## **Mr Lim Pang Boon**

**(Executive Director)**

Mr Lim Pang Boon, aged 58, 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 in 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 major shareholder of the Company. He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

# Directors' Profile (cont'd)

## Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain, aged 64, 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 major shareholder of the Company. He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## Mr Prakash A/L K.V.P Menon

(Non-Independent Non-Executive Director)

Mr Prakash A/L K.V.P Menon, aged 55, 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 of Manchester.

He was admitted to the English Bar in 1983 and being bestowed the qualification as a Barrister. Upon completion of the term of pupillage, 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 30 years.

He is not a director of any other public company. He has no family relationship with any Director and/or major shareholder of the Company. He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## **Tan Sri Mohd Sidek bin Haji Hassan**

**(Independent Non-Executive Director)**

Tan Sri Mohd Sidek bin Haji Hassan, aged 62, a Malaysian, was appointed to the Board of the Company on 16 August 2012. He holds a Bachelor of Economics (Hons) Degree in Public Administration from University of Malaya and Masters of Business Administration (MBA) from New Hampshire College, United States of America.

He began his career in the Administrative and Diplomatic Service on 15 April 1974 as an Assistant Director at the International Trade Division, Ministry of Trade and Industry. He was later appointed Assistant Trade Commissioner at the Malaysian Embassy in Tokyo, Japan, from May 1977 until July 1980. From August 1980 until July 1984, he served in the Implementation Coordination Unit (ICU) of the Prime Minister's Department, initially as a Principal Assistant Director, then later promoted to Deputy Director, Project Analysis Sector and subsequently as the Deputy Director of Research in the same department.

He has extensive working experience within the Ministry of International Trade and Industry. During his service in the ministry, he had held the positions of Malaysia's Trade Commissioner in Sydney, Australia, Deputy Director in the Policy and Research Division, Deputy Director (Operations) in the International Trade Division, Minister Counselor of Economic Affairs at the Malaysian Trade Commissioner's Office in Washington, D.C., United States, and the Director of Multilateral Relations Division. He was appointed as Deputy Secretary-General (Trade) on 19 January 2001 and thereon as the Secretary-General of the Ministry of International Trade and Industry on 24 October 2004. He was appointed as the 12th Chief Secretary to the Government of Malaysia by the Yang Di-Pertuan Agong on 3 September 2006 and was in the office until 23 June 2012.

Presently, he sits on the Board of Petroliam Nasional Berhad and Top Glove Corporation Berhad. He has no family relationship with any Director and/ or major shareholder of the Company. He has attended 6 out of 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.

## **Encik Azhari Arshad**

**(Independent Non-Executive Director)**

Encik Azhari Arshad, aged 52, a Malaysian, was appointed to the Board of the Company on 16 August 2012. He holds a Bachelor of Science Degree in Economics from University of Buckingham (UK).

He has more than 20 years experience in business development and marketing. In 1988, he joined Shell Malaysia Trading as a Senior Marketing Executive. Thereafter, he joined Pennzoil Malaysia as a Marketing Country Manager in 1993. In 1996, he was with Conoco Philips Malaysia as a Marketing Director in Malaysia. From 2002 until 2006, he was the Business Development and Marketing Strategy Consultant for Petronas downstream sector companies i.e. Petronas Dagangan Berhad and Petronas Holdings respectively. He is presently the Business Strategy, Marketing & Project Development Consultant for South-East Asia in US Management & Marketing Consultancy.

He is not a director of any other public company. He is the son of the Chairman of the Company, Tan Sri Dato' Seri Utama Arshad bin Ayub. He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company.



# 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 2013.*

## Review of Performance

Revenue for the year grew by 14% from RM2.0 billion in 2012 to RM2.3 billion in 2013. This was attributed to higher sales volume and improved selling prices in our businesses.

Our profit before tax improved by 83% to RM93.9 million in 2013, attributed to higher profit margins especially in the poultry integration segment.

The flour and trading in grains and other allied products segment remains a key component of the Group's profitability, contributing 54% and 64% of the total revenue and operating results respectively. The revenue for this segment increased by 9% as compared to the previous year due to higher sales volume and selling prices. However, raw material costs were higher and competition was stiff. Nevertheless a higher operating profit of RM59.6 million was recorded due to our sustained efforts in sales and marketing as well as plant operations. The new mill and warehouse facilities at Pasir Gudang have been completed and commercial production commenced in the second half of 2013. The increased flour milling capacities in Pasir Gudang and also at Lumut, which was completed at the end of 2012, will strengthen our position in supporting our customers' needs and market requirements.



Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia (BFMI) has commenced flour trading activity in the third quarter of 2013 as part of its efforts in building its market presence prior to commencement of its manufacturing activities. It is expected that BFMI will commence commercial production in the second half of 2014.

Further to the initial capital injection of USD7.5 million in BFMI as reported last year, an additional capital contribution of USD5.13 million was made in 2013.

The poultry integration business performed well this year as the business grew further economies of scale. An operating profit of RM33.2 million was achieved in 2013 as compared to an operating loss of RM3.2 million in 2012. This was a result of higher sales volume and favourable market prices for live birds, poultry processed products and animal feeds in 2013. It was also a result of synergies achieved from an integrated poultry business which will continue to benefit MFM in the long run.

## Outlook

The global economic climate is uncertain, and commodity prices and foreign exchange rates remain volatile. However, in view of our efforts in growing economies of scale and improving operating efficiencies, we are positive of further growth in our businesses.

## Dividend

The Board of Directors has declared a first and second interim dividend of 3.0 sen and 6.0 sen per ordinary share respectively, less tax at 25%, for financial year ended 31 December 2013 which were paid on 20 September 2013 and 20 December 2013 respectively.

The Board of Directors does not propose any final dividend for the year 2013 as a total interim dividend of 9.0 sen has been paid during the year.

## Appreciation

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

We also thank you, our shareholders, as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the unrelenting support and confidence in MFM during the year.

## Tan Sri Dato' Seri Utama Arshad bin Ayub

Chairman

Kuala Lumpur  
7 April 2014



# Corporate Social Responsibility

Malayan Flour Mills Berhad (“MFM”) recognizes the importance of conducting its business in a socially responsible manner. This is demonstrated in the way we deal with our customers, employees and the wider community where we operate. MFM considers that corporate social responsibility (“CSR”) is an integral part of good business management. 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

CSR is embedded into our business philosophy and policies to meet the expectations of our stakeholders which include the shareholders, suppliers and customers. We are committed to ethical business approach through compliance with law, honoring business obligations and ensuring integrity in our business dealings.

The Group is dedicated to supplying safe, hygienic and high quality products which meet the requirements of its customers in a manner consistent with high environment and ethical standards through the adherence of HACCP system, Good Manufacturing Practice and Good Hygiene Practice throughout the production process. This is our priority as our commitment to the stakeholders as well as for our branding and differentiation of products.

We practice strict bio-security, good animal husbandry and veterinary health programs in all our poultry farms. All the poultry products of Dindings Poultry Processing Sdn Bhd (“DPP”) are certified as Halal by Jakim with strict compliance with Malaysian Halal Standard MS1500:2004. The plant and all its products are inspected by Veterinary Officials from the Department of Veterinary Services, Malaysia and awarded with the VHM logo. The production processes are also ISO9001:2008 certified and quality control is monitored at every stage of the processing.

The Group also has a Code of Conduct in place which has been communicated to all employees with the objective of instilling the highest level of corporate governance in the Group.

One of the activities carried out during the year to create value for our customers is as follows:

### Distributors' Convention



On 19-21 July 2013, a Convention was held to share with all the distributors of DPP for the Ayam Dindings and Ayam Fiesta brands on our strategic plans, marketing and branding exercise as well as giving out awards to outstanding distributors during the convention with its theme “Super Hero & Heroine”. At the end of the Convention, all the distributors had benefitted from the useful information shared with them and the awards given as recognition of their efforts had motivated them to serve the customers better.



## CSR for Community

We strive to make contributions to the communities in which we operate to improve the quality of life. Various charitable activities were carried out during the year with the objective of giving hope to the less fortunate and providing the feel of warmth to the society.

During the year, the following were some of the CSR activities carried out for the community:

### Visit to Orphanage



On 31 May 2013, a visit to an orphanage, Rumah Wawasan, in Manjung was organized. Besides providing lunch, activities such as hula hoop pass, hula hoop circle and sand art were arranged for the children. Some small gifts were also given to the children.

### Fund Raising



On 8 June 2013, DPP had participated in an Open House organized by The Salvation Army, a non-profit charitable organization in Bandar Hilir, Melaka, to raise funds for its operation. Ayam Fiesta products such as chicken nuggets and frankfurters were sold and the fund raised was contributed to The Salvation Army.

# Corporate Social Responsibility (cont'd)

## Contributions to Foundation/Non-Profit Organization

Contribution was given to a “Stop Hunger Now” Project launched by The Rotary Club of George Town in partnership with The Rotary Club of Penang in an effort to eradicate poverty and hunger among children in the lower-income groups and economically-deprived citizens in the country.

MFM had also responded to an appeal for welfare funds and expenses to celebrate the Chinese New Year by Yayasan Latihan Insan Istimewa Ipoh, Perak, a non-profit organization which provides shelter to impoverished Down Syndrome and handicapped children and adults.

## Contributions for Education

MFM recognizes that education is one of the most important investments a country can make in its people and its future and is critical to reducing poverty and inequality. With improved education, many other areas are positively impacted. In short, education has the power to make the world a better place.

As its contribution for education, MFM had sponsored and participated in the MyKasih Charity Golf 2013 organized by MyKasih Foundation. The event was to raise funds for the Foundation to continue its efforts to help more underprivileged families and students and ensure the continuity and success of MyKasih programmes. One of its targeted programmes is to establish Eco-smart computer labs in selected high-need schools which will facilitate learning for primary school children.

MFM had also contributed to the printing and production of “Berita Kesatuan Pekerja Bomba dan Penyelamat, New Year 2014 Issue” which disseminate information on fire fighting to increase community awareness on fire safety and fire prevention.

Besides this, the Company had also contributed to fund raising activities of numerous schools for various purposes.

## CSR for Workplace

We strive to provide hygienic, healthy and safe working environment for our employees as well as to attract the new recruits. In addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and staff retention and morale.

We continue to provide the necessary training and development programmes to assist the employees to perform their work more efficiently and also to develop their competencies for the advancement of their career. This is of utmost importance for the succession planning of the Group as well as to ensure the sustainability of the business.



On 21 and 22 June 2013, the senior management staff had participated in a workshop on Leadership and Change Management organized by the Malaysia Institute of Supply Chain Innovation with the objective to learn the right leadership culture and values in order to cope with all the changes and evolved to be stronger and more competitive.



On 7 and 8 November 2013, the Sales and Marketing team of DPP had participated in a National Sales Meeting cum Team Building. The team building activities are to provide high-impact learning, increase team skills and communications, and improve morale and productivity. Employees benefit through experiencing a sense of accomplishment in working as a group to complete a challenging task and learning ways to improve communication skills. Team building allows employees to return to the office reinvigorated and with a new set of problem-solving skills.



On 19 December 2013, a Product Training cum Team Building was organized for the Sales and Marketing team of MFM. All the participants were educated on the new product to be launched with discussion on the sales forecast and strategies as well. The team had also benefited from the Team Building activities.



As welfare for the employees, various activities such as Annual Dinner, festival celebrations, Divisional activities and family outing were continued and maintained to foster better ties and interaction amongst our employees.



# Corporate Social Responsibility (cont'd)



A Family Day Outing was organised at Teratak Nalys Eco Resort & Equestrian, Batang Kali, Selangor on 16 November 2013. Food and variety of activities/games were enjoyed by the staff and their families.

## CSR for Environment

We recognize the increasing importance of environmental issues and continue to observe the environment-friendly practices in the daily operations of the Group such as energy-saving practices for lighting and equipment, proper waste management, increased electronic communication and having paperless meeting.

At the manufacturing operations, various measures continue to be 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.

The poultry processing plant of DPP operates waste water treatment to treat the final discharge of waste water in compliance with the requirement set by the Department of Environment Malaysia (DOE Standard B).

The Group continues to convert the opened houses of its broiler farm to tunnel-ventilated closed houses which have proven to be effective in addressing the flies and smell problems. The latest state-of-art closed house design at the breeder and broiler farms are of international standards and more hygienic. As the closed houses are environmentally controlled, flies are minimal, with more than 95% reduction. Flies are generally a carrier of disease and less flies will result in lower incidence of air-borne disease.

# Corporate Events

## Malaysia Food Festival at Mid Valley Exhibition Centre

*(18-20 January 2013)*

Dindings Poultry Processing Sdn Bhd (“DPP”) participated in the Malaysia Food Festival and both its brands, Ayam Dindings and Ayam Fiesta received positive response from the end consumers. Ayam Dindings booth was awarded as the Best Booth at the food festival.



## 10th Malaysia International Halal (“MIHAS”) Exhibition at Kuala Lumpur Covention Centre

*(3-6 April 2013)*

DPP participated in the MIHAS and during the exhibition, the quality products of the company were introduced to the trade visitors. A lot of VIP guests as well as our valued distributors had visited our booth.



## Malayan Flour Mills Berhad’s 53rd Annual General Meeting

*(16 May 2013)*

MFM held its Annual General Meeting at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur





# Corporate Events (cont'd)

## Cake Baking Demonstration

*(3 July 2013 and 6 July 2013)*

On 3 July and 6 July 2013, in conjunction with the Hari Raya festival, MFM was invited by Sogo (KL) Department Store Sdn Bhd ("Sogo") and NSK Trade City Sdn Bhd ("NSK") respectively to conduct demonstration on baking cup cakes using the flour products of MFM. The objective was to provide basic knowledge on baking cup cakes and the homemade cup cakes which are more healthy can be served during the Hari Raya celebration.



## Food & Beverage Expo at Mid Valley Exhibition Centre

*(23-25 August 2013)*

DPP participated in the Expo and the Ayam Dindings products were well received by the end consumers.



## Halfest Exhibition at The Mines Convention Centre

*(2-6 October 2013)*

DPP participated in the Halfest Exhibition and special highlight was made on its Fiesta 99 Combo Pack during the exhibition. The response was overwhelming and all the Combo Packs were sold out during the exhibition.





## Road Show at Aeon Big Mid Valley

(12 & 13 October 2013)

MFM in collaboration with Lam Soon (M) Berhad ("Lam Soon") held a Road Show at Aeon Big Mid Valley. During the Road Show, the Customer Service team of MFM demonstrated the baking of Swiss Tart and Pandan Coconut Cake with MFM flour products and Lam Soon products. The audiences/end consumers were given the opportunity to participate in the baking process and the finished products were given out for tasting.

With the objective of building MFM flour brand awareness, some activities such as quiz and cup cake decoration competition were held. The winner of the quiz was given the prize of 1kg MFM flour while the winner of the cup cake decoration competition was awarded with a RM50 shopping voucher.

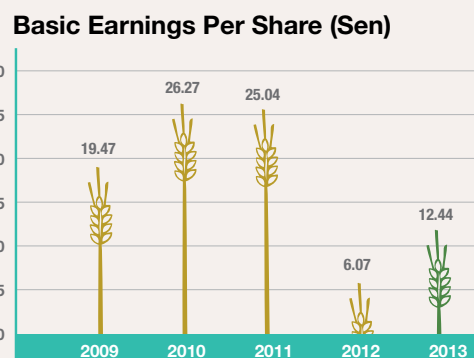
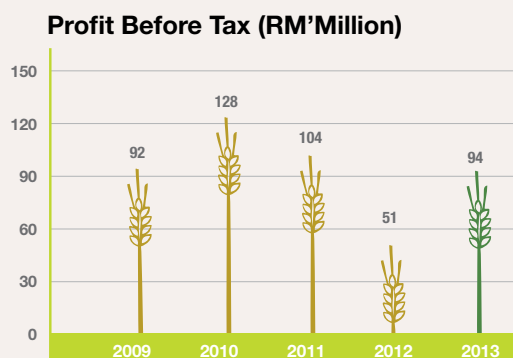
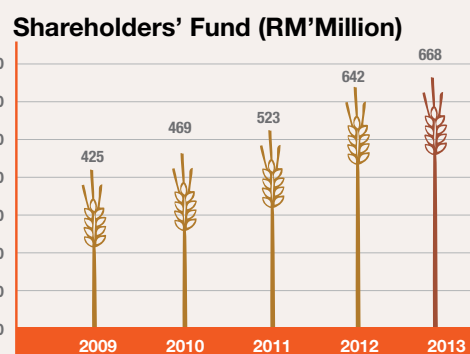
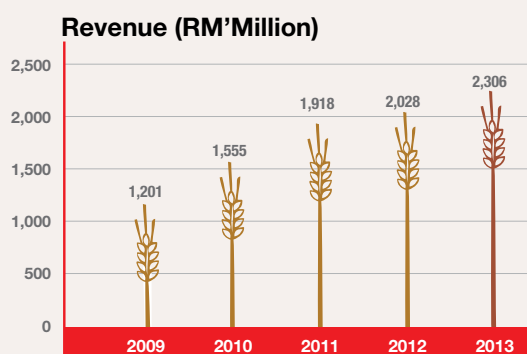


# Group Financial Highlights

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	1,201,053	1,555,091	1,918,415	2,028,475	2,306,038
Profit before tax	92,034	127,893	103,611	51,183	93,908
Tax Expense	(19,753)	(27,567)	(11,413)	(13,547)	(13,732)
Profit for the year	72,281	100,326	92,198	37,636	80,176
Minority interests	(9,402)	(15,502)	(11,326)	(9,125)	(13,198)
Profit attributable to equity holders of the Company	62,879	84,824	80,872	28,511	66,978
Issued Share Capital (RM'000)	107,645	107,645	107,645	269,112	269,112
Shareholders' Fund (RM'000)	425,435	469,073	522,511	642,132	667,809
Net Assets per share (sen)*	395	436	485	119	124
Basic earnings per share (sen)**	19.47 <sup>a</sup>	26.27 <sup>a</sup>	25.04 <sup>a</sup>	6.07 <sup>b</sup>	12.44 <sup>b</sup>
Gross dividends (%) - taxable	6.67 <sup>c</sup>	8.67 <sup>c</sup>	41.33 <sup>c</sup>	6.00	18.00
* Based on number of shares	107,645	107,645	107,645	538,223	538,223
** Based on weighted average number of shares	322,935	322,935	322,935	469,402	538,223

## Note:

- Restated to reflect the retrospective adjustment arising from the Share Split and Bonus Issue which was completed during the financial year ended 31 December 2012 in accordance to MFRS 133 on Earnings per Share.
- As disclosed in Note 18 to the Financial Statements.
- Restated to reflect the retrospective adjustment arising from the Share Split and Bonus Issue which was completed during the financial year ended 31 December 2012.



# Statement on Corporate Governance

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

The Board of Directors of Malayan Flour Mills Berhad is fully committed to ensure the practice of good corporate governance in the conduct of the businesses and affairs of the Group. Integrity, transparency and professionalism are key components for the Group's continued growth and success. The Board is unreservedly committed to applying the principles necessary to ensure that highest standards of corporate governance and corporate conduct are adhered to throughout the Group in the interest of the stakeholders.

The Board views the maintenance of good corporate governance, by being ethical and sustainable, as a continuous process to be successful. The Board makes adjustments as may be appropriate with the ultimate objective of continuously enhancing the business processes, stakeholder value and increasing the confidence of the investors and customers.

This statement describes the approaches that the Company has taken with respect to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) for the financial year ended 31 December 2013.

## Board of Directors

### Roles and Responsibilities of the Board

The Board is led and managed by experienced Directors 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 include, amongst others, the following:

- Review and approve long and medium terms strategic plans
- Approve annual budget
- Establish goals for management and monitor the achievement of these goals
- Review the adequacy of the internal control systems
- Approve the appointment and remuneration of Directors and senior management staff
- Review succession and human resource plans
- Approve financial results and declare/recommend dividends

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 Board Charter will be reviewed from time to time to be kept up to date with new changes in regulations and best practices.

### Composition and Balance of the Board

There are currently eleven (11) Directors on the Board comprising of three (3) Executive Directors and a strong team of eight (8) Non-Executive Directors of whom seven (7) are Independent Directors. This provides the desired level of objectivity and independence in Board deliberations and decision making. The Board composition complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which require a minimum of two (2) or one-third (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.

The Board has taken note of the recommendation of the MCCG 2012 to establish a policy formalizing its approach to gender diversity.



# Statement on Corporate Governance (cont'd)

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

## Independence of Directors

On the recommendation of the MCCG 2012 that the tenure of an independent director should not exceed a cumulative term of nine (9) years, having assessed the Independent Non-Executive Directors of the Company, the Nomination Committee and Board were satisfied that all the Independent Directors had continued to possess the following qualities:

- They are respectable personalities in society. Hence, their contributions, views and insights are always taken seriously and respected by the management;
- They have the ability to analyse issues, challenge viewpoints of the management with intelligent questioning and debate rigorously in the decision making process; and
- They remain capable of exercising unbiased, objective and independent view, advice and judgement in the decision making process.

Hence, the Nomination Committee and the Board concluded that all the Independent Non-Executive Directors of the Company remain objective and independent in expressing their views and in exercising their decision making irrespective of their length of service.

The independence of the Independent Directors will be assessed annually taking into account the individual Director's ability to exercise independent judgement at all times and contribute to the effective functioning of the Board.

## Separation of positions of the Chairman and Managing Director

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, who is an Independent Non-Executive Director, is responsible for ensuring Board effectiveness and compliance with corporate governance 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.

## 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 (1/3) or the nearest to one-third (1/3) 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 (3) years.

Directors over seventy (70) years old are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

The Directors who are due for re-election and/or re-appointment at the Annual General Meeting will first be assessed by the Nomination Committee, which will then submit its recommendation to the Board for deliberation and endorsement. Thereafter, shareholders' approval will be sought for the re-election and/or re-appointment.

Executive Director, Mr Lim Pang Boon who is due for retirement by rotation in accordance with Article 111 of the Company's Articles of Association, has expressed his intention not to seek for re-election. Hence, he will remain in office until the conclusion of the Fifty-Fourth Annual General Meeting.

## Board Meetings and Time Commitment

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary. Board meetings for the ensuing financial year are scheduled prior to the commencement of that year to enable the Board and management to plan ahead.

For the Board to deliberate effectively on agenda of the meetings, relevant meeting papers or proposals will be furnished prior to and in advance of each meeting. This enables the Board to study the facts and have productive discussion and make informed decision at the meeting.

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

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

Name of Directors	Meeting Attendance
Tan Sri Dato' Seri Utama Arshad bin Ayub	7/7
Mr Teh Wee Chye	7/7
Dato' Hj Shaharuddin bin Hj Haron	7/7
Mr Geh Cheng Hooi	6/7
Mr Quah Ban Lee	7/7
Datuk Oh Chong Peng	7/7
Mr Lim Pang Boon	6/7
Dato' Wira Zainal Abidin bin Mahamed Zain	7/7
Mr Prakash A/L K.V.P Menon	7/7
Tan Sri Mohd Sidek bin Haji Hassan	6/7
Encik Azhari Arshad	7/7

All the Directors have complied with the requirement to attend at least 50% of the Board meetings held in the financial year pursuant to the Listing Requirements.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities as Directors of the Company. This is evidenced by their attendances at the Board and various Board Committees meetings held during the year.

In addition, all the Directors of the Company do not hold directorships at more than five (5) public listed companies and thus, able to commit sufficient time to the Company.

# Statement on Corporate Governance (cont'd)

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

## 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 are also 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 adhered to and that applicable rules and regulations are complied with. The Board is updated and advised by the Company Secretary from time to time on new statutes and directives issued by the regulatory authorities.

The Company Secretary also notifies the Directors on each closed period for dealing in the Company's listed securities, based on the targeted dates of announcements of the Group's quarterly results and in accordance with the period defined in Chapter 14 of the Listing Requirements, before the commencement of each closed period as prior notice of the closed period.

In addition, the Directors may request for independent advice from the relevant professionals for the discharge of their duties, at the Company's expense.

## Directors' Continuing Development

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 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.

At the Board Meeting, the Directors are also updated by the management on the market developments of the industries that the Group is involved in.

The Company Secretary facilitates the participation of the Directors in the external training programmes and keeps record of the trainings attended by all the Directors.

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



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

Name of Directors	Programmes/ Seminars/ Conferences
Tan Sri Dato' Seri Utama Arshad bin Ayub	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended seminars on regulatory updates, Corporate Governance and business management.</p>
Mr Teh Wee Chye	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended workshops on leadership and business management.</p>
Dato' Hj Shaharuddin bin Hj Haron	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended seminar on Corporate Disclosure for Directors.</p>
Mr Geh Cheng Hooi	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended seminar on Corporate Disclosure for Directors.</p>
Mr Quah Ban Lee	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended workshops on leadership and business management.</p> <p>Attended seminar on taxation updates.</p>
Datuk Oh Chong Peng	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended programmes on Corporate Governance and continuing development.</p>
Mr Lim Pang Boon	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended workshops on leadership and business management.</p>
Dato' Wira Zainal Abidin bin Mahamad Zain	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended seminars on Directors' Remuneration and Corporate Disclosure for Directors.</p> <p>Attended Audit Committee Conference on topic relating to Powering for Effectiveness.</p>
Mr Prakash A/L K.V.P Menon	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p>
Tan Sri Mohd Sidek bin Haji Hassan	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended Forbes Global CEO Conference.</p> <p>Attended seminar on Corporate Disclosure for Directors.</p>
Encik Azhari Arshad	<p>Attended internal briefing on Hedging and Risk Management Policies on Commodities.</p> <p>Attended workshops on leadership and business management.</p> <p>Attended seminar on Corporate Disclosure for Directors.</p>

# Statement on Corporate Governance (cont'd)

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

## Board Committees

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

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

## Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 35 to 39 of this Annual Report.

## Nomination Committee

The Nomination Committee shall comprise exclusively of non-executive directors, a majority of whom must be independent. During the year, there were changes in the composition of the Committee. The Committee currently consists of five (5) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:

Tan Sri Dato' Seri Utama Arshad bin Ayub (Chairman)	(Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)
Dato' Wira Zainal Abidin bin Mahamad Zain	(Independent Non-Executive Director)
Tan Sri Mohd Sidek bin Haji Hassan	(Independent Non-Executive Director)
Encik Azhari Arshad	(Independent Non-Executive Director)
Mr Prakash A/L K.V.P Menon	(Non-Independent Non-Executive Director)

The terms of reference of the Nomination Committee are as follows:

- To review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board;
- To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Managing Director;
- To review the required mix of skills and experience and other qualities and competencies which Non-Executive Directors should bring to the Board and to assess the effectiveness of the Board, Committees of the Board and contributions of Directors of the Board;
- To review the balance between Executive and Non-Executive Directors and to ensure at least one third (1/3) of the Board is comprised of Independent Directors in compliance with the Listing Requirements;
- To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director;
- To recommend to the Board for the continuation (or not) in service of any Director who has reached the age of seventy (70);

- g. To recommend Directors who are retiring by rotation to be put forward for re-election; and
- h. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

During the year, in view of the enlarged Board, the Nomination Committee had reviewed the size and composition of the Board Committees and had recommended the appointment of additional members to the respective Board Committees to enhance the functioning of the Committees.

Assessment on the Board, Board Committees and individual Director had been carried out for year 2013 via questionnaires which were completed by each Director on a confidential basis. The questionnaires comprised of a Board and Board Committees Performance Evaluation and an Individual Director Self/Peer Evaluation. The effectiveness of the Board was assessed in the areas of composition, operations, roles and responsibilities and performance of the Chairman. The individual Director was assessed on his contribution to interaction, quality of input and understanding of his role. Results of the assessments were reviewed by the Nomination Committee and areas which required continuous improvement were recommended to the Board.

Having satisfied with the results of the assessments, the Nomination Committee had recommended to the Board that:

- Shareholders' approval be sought at the forthcoming Annual General Meeting for the continuation in service of Tan Sri Dato' Seri Utama Arshad bin Ayub, Dato' Hj Shaharuddin bin Hj Haron and Mr Geh Cheng Hooi, who are over the age of seventy (70) and have offered themselves for re-appointment pursuant to Section 129(6) of the Companies Act, 1965.
- Shareholders' approval be sought at the forthcoming Annual General Meeting for the re-election of Mr Teh Wee Chye and Mr Quah Ban Lee, who are retiring by rotation and have offered themselves for re-election.
- All the Independent Directors had remained objective and independent in expressing their views and in exercising their decision making irrespective of their length of service.

The Committee meets as and when required and at least once a year. During the year, two (2) meetings were held and attended by all the members of the Committee.

## Remuneration Committee

The Remuneration Committee shall comprise mainly of non-executive directors. During the year, there were changes in the composition of the Committee. The Committee currently comprises of four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director as follows:

Tan Sri Dato' Seri Utama Arshad bin Ayub (Chairman)	(Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Datuk Oh Chong Peng	(Independent Non-Executive Director)
Tan Sri Mohd Sidek bin Haji Hassan	(Independent Non-Executive Director)
Mr Prakash A/L K.V.P Menon	(Non-Independent Non-Executive Director)
Mr Teh Wee Chye	(Managing Director)



# Statement on Corporate Governance (cont'd)

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

## Remuneration Committee (cont'd)

The terms of reference of the Committee are as follows:

- a. To determine and agree with the Board the framework or broad policy for the remuneration of the Company's or Group's Chief Executive, and other senior management staff of the Company or Group;
- b. To determine and recommend to the Board any performance related pay schemes for the Company or Group;
- c. To determine the policy for and scope of service agreements for the executive directors, termination payments and compensation commitments;
- d. To oversee any major changes in employee remuneration and benefit structures throughout the Company or Group;
- e. To produce an annual report of the Committee's remuneration policy for Board members which will form part of the Company/Group's annual report and accounts; and
- f. To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.

The Committee also reviews and recommends for the Board's consideration the Directors'/Committees' fees and meeting allowances. For year 2013, the Committee had reviewed and recommended an increase in the Directors' fees to reflect the inflation, increasing responsibilities of the Directors as well as to retain and motivate the Directors.

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 meets as and when required and at least once a year. During the year, two (2) meetings were held and attended by all the members of the Committee.

## 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)
3 Executive Directors	-	2,603	1,728	193	46
8 Non-Executive Directors	900	-	-	13	231

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Less than RM50,000		
RM50,001 to RM100,000		
RM100,001 to RM150,000		7
RM250,001 to RM300,000		1
RM850,001 to RM900,000	1	
RM950,001 to RM1,000,000	1	
RM2,700,001 to RM2,750,000	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 Circular to Shareholders together with the announcements to 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.

The Company's website at [www.mfm.com.my](http://www.mfm.com.my) provides quick access to information on the Group. The information available on the website of the Company include, amongst others, the corporate profile, directors' profiles, financial results, annual reports, announcements released to Bursa Malaysia Securities Berhad, corporate governance statement, whistle blowing policy, share and dividend information, corporate news, operations and products of the Group.

In addition, information was also provided to shareholders and/or investors in the replies to their enquiries via the email address at [ir@mflour.com.my](mailto:ir@mflour.com.my).

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 Group.

# Statement on Corporate Governance (cont'd)

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

## Accountability and Audit

### Financial Reporting

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

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

### Corporate Disclosure

The Company is mindful of the importance to disseminate information to shareholders and investors in a prompt and timely manner in order for informed decision to be made. As such, the Board has always stressed for all material information to be announced immediately upon available. This is not only for compliance with the Listing Requirements but also to avoid insider trading.

### Internal Control

The Group has 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 Risk Management and Internal Control as set out on pages 40 to 41 of this Annual Report provides an overview of the state of internal controls within the Group.

### Whistle Blowing Policy

The Company has a Whistle Blowing Policy in place. The objectives of the Standard Operating Procedures & Policy ("SOPP") on Whistle Blowing Policy are as follows:

- a. To instill the highest level of corporate governance in the Group;
- b. To encourage and enable all employees to raise genuine concerns within the Group rather than overlooking a problem. Employees are reminded to conduct the business at the highest ethical and legal standards; and
- c. To set a procedure for all employees to give information on non-compliances to the Code of Conduct, regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions.

A Whistle Blowing Policy for external parties is published on the Company's website.

All employees or any person who has dealings with the Group may report any suspected fraud, misconduct or any integrity concerns to Mr Geh Cheng Hooi, Senior Independent Non-Executive Director of the Company, via the email address at [whistleblowing@mflour.com.my](mailto:whistleblowing@mflour.com.my).



## **Code of Conduct**

The Company's Code of Conduct ("Code") is in force across the Group and all employees must comply with it. Disciplinary action may be taken against employees who are found guilty for non-compliance with the Code. The Code sets out the ethical standards of conduct that all employees are expected to comply with in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.

Every employee must display and behave in a manner which is consistent with the Group's philosophy and core values. The following Code of Conduct must be adhered to at all times by all employees within the Group:-

- a. Demonstrating commitment
- b. Living the core values of the Group
- c. Avoiding conflict of interest
- d. Preventing bribery and corruption
- e. Practicing confidentiality and data protection
- f. Communicating externally and internally with ethics and within authority
- g. Protecting company assets and resources
- h. Giving equal opportunity, non-discrimination and fair employment
- i. Ensuring safety and protecting the environment
- j. Prohibiting insider trading

The Code is subject to change and review as and when it deems necessary by the Company.

As personal commitment to the Code, each employee of the Group was required to make a declaration that he/she had been furnished a copy of the Code, had read and understood the Code, accepted to comply with the Code and understood that any breach of the Code may result in disciplinary action being taken against him/her.

## **Indemnification of Directors and Officers**

Directors and Principal Officers of the Group are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties. However, the Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them. The Directors and Principal Officers are required to contribute jointly towards the premium of the said policy.

## **Relationship with Auditors**

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

# Statement on Corporate Governance (cont'd)

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

## Directors' Responsibility Statement

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2013, 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 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 and the Group, to prevent and detect fraud and other irregularities.

# Additional Compliance Information

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

## 1. Utilisation of Proceeds

The Company has on 14 May 2012 completed its Rights Issue with free Warrants and Bonus Shares ("Rights Issue Exercise"). Pursuant to the Rights Issue Exercise, additional 215,289,212 ordinary shares of RM0.50 each ("Rights Shares") were issued at the issue price of RM0.93 per Rights Share and cash proceeds of RM200.2 million were raised.

The summary of the utilisation of proceeds is as follow:-

Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance as at 31 December 2013 RM'000	Timeframe of utilisation of proceeds
Capital Expenditure	120,000	120,000	-	Within 2 years from the listing of Rights Shares
Working Capital	78,589	78,395	-	Within 2 years from the listing of Rights Shares
Estimated Expenses	1,630	#1,824	-	Within 1 month from the listing of Rights Shares
Total	200,219	200,219	-	

# The additional expenses incurred were paid from the Working Capital.

The proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. Such proceeds, if and when the Warrants are exercised, will be used for working capital purposes.

## 2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31 December 2013.

## 3. Options, Warrants or Convertible Securities

Pursuant to the Rights Issue Exercise, the Company has issued 107,644,606 Warrants which were listed on the Main Market of Bursa Malaysia Securities Berhad on 14 May 2012.

As at 31 December 2013, 107,644,556 Warrants remained unexercised.

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

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

# Additional Compliance Information (cont'd)

## **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 RM174,000 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 2013 and the unaudited results for the quarter ended 31 December 2013 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 2013 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 page 117 of this Annual Report.

## **10. 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 page 117 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 2013.

## Members

Chairman:	Dato' Hj Shaharuddin bin Hj Haron (Independent Non-Executive Director)
Members:	Mr Geh Cheng Hooi (Independent Non-Executive Director)
	Tan Sri Dato' Seri Utama Arshad bin Ayub (Independent Non-Executive Director)
	Datuk Oh Chong Peng (Independent Non-Executive Director)
	Dato' Wira Zainal Abidin bin Mahamad Zain (Independent Non-Executive Director)
	Encik Azhari Arshad (Independent Non-Executive Director)

## Meetings

During the year, the Audit Committee held five (5) meetings 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
Mr. Geh Cheng Hooi	4 of 5 meetings
Tan Sri Dato' Seri Utama Arshad bin Ayub	5 of 5 meetings
Datuk Oh Chong Peng	5 of 5 meetings
Dato' Wira Zainal Abidin bin Mahamad Zain (appointed on 16 May 2013)	2 of 2 meetings
Encik Azhari Arshad (appointed on 16 May 2013)	2 of 2 meetings

## Terms of Reference

### 1. Composition

- 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

# Audit Committee Report (cont'd)

## 1. Composition (cont'd)

- ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and
  - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (bb) he must be a member of one of the associations or accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- d. Where the members of the Audit Committee for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- e. The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

## 2. Meetings

- a. Meetings shall be held no less than four (4) times a year although additional meetings may be called at any time at the discretion of the Chairman.
- b. Upon the request of the external auditors, a meeting is to be convened to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
- c. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit shall attend meetings at the Committee's request. Other members of the Board may also attend the meetings upon invitation by the Committee.
- d. Representatives of the external auditors shall attend meetings no less than two (2) times a year where matters relating to the audit of the statutory financial statements are to be discussed.
- e. The Committee shall meet with the external auditors without the presence of any executive directors and employees of the Company at least twice a year.
- f. The Chairman of the Audit Committee shall report on each meeting to the Board.
- g. The meeting papers shall be furnished to all members of the Audit Committee prior to the meeting.
- h. Minutes of each meeting shall be distributed to each member of the Audit Committee.

## 3. Quorum

The quorum shall consist of a majority of independent directors.

## 4. Secretary

The Company Secretary of the Company shall be the secretary of the Committee.

## 5. Authority

The Committee shall have the following authorities:

- a. Investigate any matters within its terms of reference;
- b. Obtain independent professional or other advice as it considers necessary;
- c. Have necessary resources which are required to perform its duties;
- d. Have full and unrestricted access to any information and documents pertaining to the Group;
- e. Direct communication channels with the external and internal auditors;
- f. Convene meetings with the external auditor, the internal auditors or both, without the attendance of other directors and employees, whenever deemed necessary; and
- g. Promptly report to Bursa Securities on matters which have not been satisfactorily resolved and resulted in a breach of the Main Market Listing Requirements of Bursa Securities.

## 6. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

- a. Review and evaluate financial and accounting policies and adequacy of management controls instituted.
- b. Review the quarterly results and year-end financial statements, before the approval by the Board of Directors, focusing particularly on:
  - Any changes in or implementation of major accounting policy changes;
  - Significant and unusual events; and
  - Compliance with applicable accounting standards and other legal and regulatory requirements.
- c. Internal Auditors:
  - To ensure the maintenance of an Internal Audit Department and review the adequacy of the internal audit scope, functions, competency and resources and that it has the necessary authority to carry out its work.
  - To review the Internal Audit reports and to ensure that appropriate and prompt remedial action is taken by the management based on agreed recommendations.
  - To recommend the appointment, transfer or dismissal of the Internal Audit staff.
  - To approve the 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 Quality Assurance Review of the Internal Audit function to ensure that its core competencies are adequate.

# Audit Committee Report (cont'd)

## 6. Duties and Responsibilities (cont'd)

### d. External Auditors:

- To review with the external auditors, their audit plan, evaluation of the system of internal controls and audit report.
- To evaluate the quality of external auditors and make recommendation concerning their appointment, re-appointment, resignation and dismissal.
- To review and monitor the suitability and independence of the external auditors.
- To review major audit findings and opinions of the external auditors and the management's responses.
- To review the assistance given by the Group's officers to the external auditors.

### e. Review the related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

### f. Review compliance with government regulations.

### g. Consider and examine such other matters as the Committee considers appropriate or as authorized by the Board of Directors.

## 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 2013 was as follows:

- a. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group prior to the approval by the Board.
- b. Reviewed the related party transactions that had arisen within the Company and the Group.
- c. Reviewed with the external auditors their audit plans prior to commencement of audit.
- d. Reviewed the proposed fees for the statutory audit and review of the Statement on Risk Management and Internal Control and recommended the proposed fees to the Board for approval.
- e. 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.
- f. Reviewed and appraised the audit reports submitted by the Internal Auditors.
- g. Appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported and recommended further improvement measures.
- h. Reviewed the annual internal audit plan to ensure adequate scope, coverage of the activities of the Group and the resource requirements of internal audit to carry out its functions.
- i. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommendation to the Board for inclusion in the Annual Report.



- j. Evaluated the performance of the internal audit function and made recommendation to co-source the function with the intention to enhance its functions, competency and resources. It is important to ensure that the capability of the internal audit function is enhanced to provide the necessary assurance to the Audit Committee on the adequacy and effectiveness of the Company's risk management, governance and control processes.
- k. Evaluated the performance of the external auditors and made recommendation to the Board on their re-appointment.
- l. Meeting twice with the external auditors without the presence of the Executive Directors and employees of the Company. During the meetings, the external auditors were invited to raise any matter which they considered vital for the Committee's attention. The external auditors have confirmed that the management had given its full support, co-operation and unrestricted access to information as required by the external auditors to perform their duties.

## Internal Audit Function

The Group has an in-house Internal Audit Department ("IAD") which undertakes internal audit functions based on the risk-based audit plans that were reviewed and approved by the Audit Committee.

The purpose, authority and responsibility of the IAD as well as the nature of the assurance and consultancy activities provided by the function are articulated in the internal audit charter.

The IAD reports directly to the Audit Committee who reviews and approves the IAD's annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

During the year, the IAD conducted various internal audit engagements in accordance with the risk-based audit plan which covered the 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.

Internal auditors reported internal control deficiencies to the appropriate level of management when identified and recommendations were duly acted by the management. Significant matters were reported directly to the Audit Committee and senior management.

The total costs incurred for maintaining the Internal Audit function for year 2013 were approximately RM475,000.

# Statement on Risk Management and Internal Control

The Board of Directors (“The Board”) of Malayan Flour Mills Berhad is pleased to present the Statement on Risk Management and Internal Control in accordance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad Listing Requirements.

## Board Responsibility

The Board acknowledges its responsibility for establishing a sound risk management framework and internal control system. The Board’s responsibilities include:-

- Determine the Group’s level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders’ investments and the Group’s assets;
- Committed to articulating, implementing and reviewing the Group’s internal control system; and
- Periodic testing of the effectiveness and efficiency of the internal control procedures and processes to ensure that the system is viable and robust.

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.

## Internal Control

### Risk Management

The Board confirms that there is an ongoing process and risk management plan in place to identify, evaluate and manage significant risks faced by the Group.

During the year and up to the date of approval of this statement, discussions were conducted at different levels of management to identify and address risks identified in the Group. The assessment of significant risks and the execution of relevant mitigating action plans are part of the operational activities of the Group.

Risk Management is an integral part of our business operations and this process goes through a review by the Board. As part of the process, the key business risks are identified by the respective operations of the Group. The impact and likelihood of occurrence of these risks are then evaluated and documented. Based on the results of the above evaluation, these risks are categorized into four ratings: High, Significant, Moderate and Low.

Appropriate action plans and control measures are put in place to mitigate these risks.

### Control Structure

- 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.
- 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 Group Code of Ethics is established to set out the ethical standards to all employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.
- The Whistle Blowing policy is in place with the objective of providing all stakeholders a mechanism to raise genuine concerns on unethical behavior or any misconduct.

## Conclusion

Based on the processes set out above, the Board is of the view that the Group's system of risk management and internal control are adequate and effective to safeguard the shareholders' investment and the Group's assets and has received assurance from both the Managing Director and Finance Director in this respect. Nevertheless, 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.

In the year under review, it has not resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

Statement made in accordance with the resolution of the Directors dated 7 April 2014.

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# Directors' Report

for the year ended 31 December 2013

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 2013.

## 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	66,978	36,664
Non-controlling interests	13,198	-
	80,176	36,664

## Reserves and provisions

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

## Dividends

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

- (i) an interim dividend of 3 sen per ordinary share of RM0.50 each less tax at 25% totalling approximately RM12,110,000 (2.25 sen net per ordinary share of RM0.50 each) in respect of the financial year ended 31 December 2012 on 29 March 2013;
- (ii) an interim dividend of 3 sen per ordinary share of RM0.50 each less tax at 25% totalling approximately RM12,110,000 (2.25 sen net per ordinary share of RM0.50 each) in respect of the financial year ended 31 December 2013 on 20 September 2013; and
- (iii) a second interim dividend of 6 sen per ordinary share of RM0.50 each less tax at 25% totalling approximately RM24,220,000 (4.50 sen net per ordinary share of RM0.50 each) in respect of the financial year ended 31 December 2013 on 20 December 2013.

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 Utama Arshad bin Ayub  
 Teh Wee Chye  
 Dato' Hj Shaharuddin bin Hj Haron  
 Geh Cheng Hooi  
 Quah Ban Lee  
 Datuk Oh Chong Peng  
 Lim Pang Boon  
 Dato' Wira Zainal Abidin bin Mahamad Zain  
 Prakash A/L K.V.P Menon  
 Tan Sri Mohd Sidek bin Haji Hassan  
 Azhari Arshad

## Directors' interests

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at financial 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 RM0.50 each			
	At 1.1.2013	Acquired	Disposed	At 31.12.2013
<b>Company - Malayan Flour Mills Berhad</b>				
<b>Direct interest</b>				
Teh Wee Chye	32,038,277	13,424,200	-	45,462,477
Tan Sri Dato' Seri Utama Arshad bin Ayub	23,856,925	255,000	-	24,111,925
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	-	-	2,000,000
Quah Ban Lee	1,175,000	-	-	1,175,000
Lim Pang Boon	220,400	-	-	220,400
Datuk Oh Chong Peng	5,150	-	-	5,150
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	-	-	5,000
<b>Deemed interest</b>				
Teh Wee Chye				
- own	38,760,220	-	-	38,760,220
- others*	63,000	-	-	63,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	14,780,000	272,000	-	15,052,000
Geh Cheng Hooi				
- own	1,455,000	-	-	1,455,000
- others*	100,000	-	-	100,000
Azhari Arshad	14,780,000	272,000	-	15,052,000

# Directors' Report (cont'd)

for the year ended 31 December 2013

## Directors' interests (cont'd)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2013	Acquired	Disposed	At 31.12.2013
<b>Deemed interest of Teh Wee Chye in subsidiary companies</b>				
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 31.12.2013 VND'000
	At 1.1.2013 VND'000	Acquired VND'000	Disposed VND'000	
Vimaflour Limited	149,310,144	-	-	149,310,144

	At 1.1.2013	Number of Warrants		At 31.12.2013
		Acquired	Disposed	
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	6,629,559	2,581,000	-	9,210,559
Tan Sri Dato' Seri Utama Arshad bin Ayub	4,453,385	-	-	4,453,385
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	-	400,000
Quah Ban Lee	235,000	-	-	235,000
Lim Pang Boon	45,600	-	-	45,600
Datuk Oh Chong Peng	1,050	-	-	1,050
Dato' Wira Zainal Abidin bin Mahamad Zain	1,000	-	-	1,000
Deemed interest				
Teh Wee Chye				
- own	7,752,044	-	-	7,752,044
- others*	13,000	-	-	13,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	2,644,000	-	-	2,644,000
Geh Cheng Hooi				
- own	291,000	-	-	291,000
- others*	20,000	-	-	20,000
Azhari Arshad	2,644,000	-	-	2,644,000

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



## Directors' interests (cont'd)

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 2013 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company 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.

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 other than the warrants.

## Issue of shares

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

## Warrants

The Warrants are constituted by the deed poll dated 21 March 2012 ["Deed Poll"].

On 14 May 2012, 107,644,606 warrants ["Warrants"] issued pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) free Warrant for every two (2) Rights Shares subscribed were listed and quoted on the Main Market of Bursa Securities.

Salient features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder thereof ["Warrant holder(s)"] to subscribe for one (1) new ordinary share of RM0.50 each in the Company at the exercise price of RM2.06 during the 5-year period expiring on 9 May 2017 ["Exercise Period"], subject to the adjustments in accordance with the Deed Poll constituting the Warrants;
- (ii) At the expiry of the Exercise Period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;
- (iii) The new shares to be issued upon the exercise of the Warrants shall, upon issue and allotment, rank *pari passu* in all respects with the then existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared by the Company, which entitlement date thereof precedes the allotment date of the new shares to be issued pursuant to the exercise of the warrants;

# Directors' Report (cont'd)

for the year ended 31 December 2013

## Warrants (cont'd)

- (iv) For purpose of trading on Bursa Securities, a board lot for the Warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and
- (v) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

### Movement in the Warrants is as follows:

	Number of Warrants
As of 1 January 2013	107,644,556
Exercised during the year	-
As of 31 December 2013	107,644,556

As of 7 April 2014, 107,644,556 Warrants remained unexercised.

## 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 financial 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, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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 Utama Arshad bin Ayub

Teh Wee Chye

Kuala Lumpur  
7 April 2014

# Balance Sheets

at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Assets</b>					
Property, plant and equipment	3	493,880	415,323	231,980	200,295
Intangible assets	4	1,192	1,317	149	158
Investment properties	5	5,394	5,450	5,123	5,179
Investments in subsidiaries	6	-	-	254,302	234,930
Investment in a joint venture	7	30,501	20,831	39,337	23,063
Investments in associates	8	2,648	2,202	-	-
Deferred tax assets	9	5,804	5,034	770	-
<b>Total non-current assets</b>		<b>539,419</b>	<b>450,157</b>	<b>531,661</b>	<b>463,625</b>
Trade and other receivables, including derivatives	10	290,803	260,396	324,099	274,594
Prepayments and other assets		4,182	4,907	1,565	1,700
Inventories	11	338,514	405,913	87,081	116,405
Current tax assets		3,213	4,831	2,284	4,974
Cash and cash equivalents	12	307,261	262,279	41,500	48,846
<b>Total current assets</b>		<b>943,973</b>	<b>938,326</b>	<b>456,529</b>	<b>446,519</b>
<b>Total assets</b>		<b>1,483,392</b>	<b>1,388,483</b>	<b>988,190</b>	<b>910,144</b>
<b>Equity</b>					
Share capital		269,112	269,112	269,112	269,112
Reserves		398,697	373,020	266,991	278,767
<b>Total equity attributable to owners of the Company</b>	13	<b>667,809</b>	<b>642,132</b>	<b>536,103</b>	<b>547,879</b>
<b>Non-controlling interests</b>		<b>65,041</b>	<b>56,750</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>732,850</b>	<b>698,882</b>	<b>536,103</b>	<b>547,879</b>
<b>Liabilities</b>					
Deferred tax liabilities	9	587	7,237	-	6,650
Loans and borrowings	15	28,000	28,118	28,000	28,118
<b>Total non-current liabilities</b>		<b>28,587</b>	<b>35,355</b>	<b>28,000</b>	<b>34,768</b>
Trade and other payables, including derivatives	14	123,571	89,743	138,683	126,814
Loans and borrowings	15	593,344	560,357	285,404	200,683
Current tax liabilities		5,040	4,146	-	-
<b>Total current liabilities</b>		<b>721,955</b>	<b>654,246</b>	<b>424,087</b>	<b>327,497</b>
<b>Total liabilities</b>		<b>750,542</b>	<b>689,601</b>	<b>452,087</b>	<b>362,265</b>
<b>Total equity and liabilities</b>		<b>1,483,392</b>	<b>1,388,483</b>	<b>988,190</b>	<b>910,144</b>

The notes set out on pages 58 to 118 are an integral part of these financial statements.



# Income Statements

for the year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue</b>		2,306,038	2,028,475	416,374	408,081
Cost of goods sold		(2,085,799)	(1,867,132)	(361,715)	(350,596)
<b>Gross profit</b>		220,239	161,343	54,659	57,485
Other income		6,812	10,241	29,756	33,301
Distribution and selling expenses		(95,495)	(90,794)	(31,206)	(31,851)
Administrative expenses		(34,030)	(34,785)	(17,102)	(14,312)
Other expenses		(4,727)	(453)	(326)	(224)
<b>Results from operating activities</b>		92,799	45,552	35,781	44,399
Interest expense		(16,575)	(13,598)	(12,470)	(8,618)
Interest income		19,758	20,957	10,218	6,788
<b>Operating profit</b>	16	95,982	52,911	33,529	42,569
Share of loss of equity accounted joint venture, net of tax		(2,520)	(1,341)	-	-
Share of profit/(loss) of equity accounted associates, net of tax		446	(387)	-	-
<b>Profit before tax</b>		93,908	51,183	33,529	42,569
Tax (expense)/credit	17	(13,732)	(13,547)	3,135	(2,800)
<b>Profit for the year</b>		80,176	37,636	36,664	39,769
<b>Profit attributable to:</b>					
Owners of the Company		66,978	28,511	36,664	39,769
Non-controlling interests		13,198	9,125	-	-
<b>Profit for the year</b>		80,176	37,636	36,664	39,769
<b>Basic earnings per ordinary share (sen)</b> 18		12.44	6.07		

The notes set out on pages 58 to 118 are an integral part of these financial statements.

# Statements of Comprehensive Income

for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Profit for the year</b>	80,176	37,636	36,664	39,769
<b>Other comprehensive income for the year, net of tax</b>				
<b>Item that is or may be reclassified subsequently to income statement</b>				
Foreign currency translation differences for foreign operations	9,344	(8,419)	-	-
<b>Total comprehensive income for the year</b>	89,520	29,217	36,664	39,769
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	74,117	21,335	36,664	39,769
Non-controlling interests	15,403	7,882	-	-
<b>Total comprehensive income for the year</b>	89,520	29,217	36,664	39,769

The notes set out on pages 58 to 118 are an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2013

Group	Note	Attributable to owners of the Company					Non-controlling interests			Total equity
		Share capital	Share premium	Warrant reserve	Other capital reserves	Translation reserve	Retained earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2012</b>		107,645	55,862	-	30,461	(64,942)	393,485	522,511	53,872	576,383
Foreign currency translation differences for foreign operations		-	-	-	-	(7,176)	-	(7,176)	(1,243)	(8,419)
Profit for the year		-	-	-	-	-	28,511	28,511	9,125	37,636
Total comprehensive income for the year		-	-	-	-	(7,176)	28,511	21,335	7,882	29,217
Right shares issued		107,645	92,574	-	-	-	-	200,219	-	200,219
Bonus shares issued		53,822	(53,822)	-	-	-	-	-	-	-
Share issuance expenses		-	(1,824)	-	-	-	-	(1,824)	-	(1,824)
Issuance of warrants		-	(33,370)	33,370	-	-	-	-	-	-
Issuance of shares pursuant to the exercise of warrants		*	-	-	-	-	-	*	-	*
Dividends to owners of the Company	19	-	-	-	-	-	(100,109)	(100,109)	-	(100,109)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(5,004)	(5,004)
<b>At 31 December 2012</b>		269,112	59,420	33,370	30,461	(72,118)	321,887	642,132	56,750	698,882
<b>At 1 January 2013</b>		269,112	59,420	33,370	30,461	(72,118)	321,887	642,132	56,750	698,882
Foreign currency translation differences for foreign operations		-	-	-	-	7,139	-	7,139	2,205	9,344
Profit for the year		-	-	-	-	-	66,978	66,978	13,198	80,176
Total comprehensive income for the year		-	-	-	-	7,139	66,978	74,117	15,403	89,520
Dividends to owners of the Company	19	-	-	-	-	-	(48,440)	(48,440)	-	(48,440)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(7,112)	(7,112)
<b>At 31 December 2013</b>		269,112	59,420	33,370	30,461	(64,979)	340,425	667,809	65,041	732,850

# Statement of Changes in Equity (cont'd)

for the year ended 31 December 2013

Company	Note	Non-distributable		Warrant reserve RM'000	Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000		Retained earnings RM'000	
<b>At 1 January 2012</b>		107,645	55,862	-	246,317	409,824
Profit for the year		-	-	-	39,769	39,769
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	39,769	39,769
Right shares issued		107,645	92,574	-	-	200,219
Bonus share issued		53,822	(53,822)	-	-	-
Share issuance expenses		-	(1,824)	-	-	(1,824)
Issuance of warrants		-	(33,370)	33,370	-	-
Issuance of shares pursuant to the exercise of warrants		*	-	-	-	*
Dividends to owners of the Company	19	-	-	-	(100,109)	(100,109)
<b>At 31 December 2012</b>		269,112	59,420	33,370	185,977	547,879
<b>At 1 January 2013</b>		269,112	59,420	33,370	185,977	547,879
Profit for the year		-	-	-	36,664	36,664
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	36,664	36,664
Dividends to owners of the Company	19	-	-	-	(48,440)	(48,440)
<b>At 31 December 2013</b>		269,112	59,420	33,370	174,201	536,103

\* 50 new ordinary shares of RM0.50 each was issued pursuant to the exercise of warrants.

The notes set out on pages 58 to 118 are an integral part of these financial statements.



# Statements of Cash Flows

for the year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		93,908	51,183	33,529	42,569
<i>Adjustments for:</i>					
Amortisation of intangible assets	4	326	339	125	136
Depreciation of investment properties	5	56	55	56	55
Depreciation of property, plant and equipment	3	31,684	22,510	10,242	6,975
Dividend income		-	-	(24,034)	(29,375)
Net gain on disposal of property, plant and equipment		(20)	(251)	(22)	(71)
Intangible assets written off	4	-	-	-	-
Interest expense		16,575	13,598	12,470	8,618
Interest income		(19,758)	(20,957)	(10,218)	(6,788)
Property, plant and equipment written off		898	77	326	72
Share of loss of equity accounted joint venture, net of tax		2,520	1,341	-	-
Share of (profit)/ loss of equity accounted associates, net of tax		(446)	387	-	-
Net unrealised gain on foreign exchange		(932)	(1,550)	(556)	(840)
<b>Operating profit before changes in working capital</b>					
		124,815	66,732	21,918	21,351
Changes in working capital:					
Inventories		73,525	(49,057)	29,324	(1,558)
Trade and other payables and other financial liabilities		32,652	(15,915)	12,425	(26,936)
Trade and other receivables, prepayments and other financial assets		(24,624)	(11,030)	(49,370)	(131,369)
<b>Cash generated from/(used in) operations</b>					
		206,368	(9,270)	14,297	(138,512)
Interest paid		(16,575)	(13,598)	(12,470)	(8,618)
Interest received		19,758	20,957	10,218	6,788
Tax paid		(18,816)	(23,231)	(1,595)	(3,015)
<b>Net cash from/(used in) operating activities</b>					
		190,735	(25,142)	10,450	(143,357)

# Statements of Cash Flows (cont'd)

for the year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of intangible assets	4	(144)	(125)	(116)	(37)
Acquisition of property, plant and equipment	3	(108,348)	(124,671)	(42,318)	(40,073)
Dividend income		-	-	24,034	29,375
Proceeds from disposal of property, plant and equipment		205	605	87	92
Subscription of shares in subsidiaries		-	-	(19,372)	-
Subscription of shares in a joint venture		(16,274)	(23,063)	(16,274)	(23,063)
Subscription of shares in associates		-	(1,105)	-	-
<b>Net cash used in investing activities</b>		(124,561)	(148,359)	(53,959)	(33,706)
<b>Cash flows from financing activities</b>					
Dividends paid to non-controlling shareholders		(7,112)	(5,004)	-	-
Dividends paid to owners of the Company		(48,440)	(100,109)	(48,440)	(100,109)
Proceeds from loans and borrowings, net		24,042	146,483	84,603	86,883
Share issuance expenses		-	(1,824)	-	(1,824)
Proceeds from issuance of shares pursuant to the Rights Issue		-	200,219	-	200,219
<b>Net cash (used in)/from financing activities</b>		(31,510)	239,765	36,163	185,169
<b>Net increase/(decrease) in cash and cash equivalents</b>		34,664	66,264	(7,346)	8,106
Effect of exchange rate fluctuations on cash held		10,318	(4,852)	-	-
<b>Cash and cash equivalents at 1 January</b>		262,279	200,867	48,846	40,740
<b>Cash and cash equivalents at 31 December</b>		307,261	262,279	41,500	48,846

## Cash and cash equivalents

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

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks	12	264,188	234,537	21,750	35,890
Cash and bank balances	12	43,073	27,742	19,750	12,956
		307,261	262,279	41,500	48,846

The notes set out on pages 58 to 118 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 follows:

## Registered office and principal place of business

22nd Floor, Wisma MCA  
Jalan Ampang  
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associates and joint venture.

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 issue by the Board of Directors on 7 April 2014.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

## 1. Basis of preparation (cont'd)

### (a) Statement of compliance (cont'd)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

#### ***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.



# Notes to the Financial Statements (cont'd)

## 1. Basis of preparation (cont'd)

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed 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 in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 5 – Valuation of investment properties
- Note 6 – Investments in subsidiaries
- Note 7 – Investment in a joint venture
- Note 8 – Investments in associates

## 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 structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

### (a) Basis of consolidation (cont'd)

#### (i) Subsidiaries (cont'd)

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

#### (ii) 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.

For new acquisitions, the Group measures the cost of 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 income statements.

# Notes to the Financial Statements (cont'd)

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

### (a) Basis of consolidation (cont'd)

#### (ii) Business combinations (cont'd)

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

#### (iii) 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.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated balance sheet. Any surplus or deficit arising on the loss of control is recognised in income statements. If the Group retains any interest in the former 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.

#### (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 the investments includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the 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 investments 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 associate.

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

### (a) Basis of consolidation (cont'd)

#### (v) Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in income statements.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in income statements. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to income statements if that gain or loss would be required to be reclassified to income statements on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's balance sheet at cost less any impairment losses. The cost of investments includes transaction costs.

#### (vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For joint venture, the Group accounted for its interest using the equity method.
- For jointly controlled assets or jointly controlled operation, the Group and the Company accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

# Notes to the Financial Statements (cont'd)

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

### (a) Basis of consolidation (cont'd)

#### (vi) Joint arrangements (cont'd)

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

#### (vii) 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 and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

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.

#### (viii) 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 and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (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 the end of the 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.



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

### **(b) Foreign currency (cont'd)**

#### **(i) Foreign currency transactions (cont'd)**

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 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the 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 difference 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 gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investments 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.

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.

# Notes to the Financial Statements (cont'd)

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

### (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 as 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.

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

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

### (c) Financial instruments (cont'd)

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

##### *Financial assets (cont'd)*

##### **(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 income statements. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statements. Interest calculated for a debt instrument using the effective interest method is recognised in 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)).

##### **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 financial liabilities that are 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.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gains or losses recognised in 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 income statements.

# Notes to the Financial Statements (cont'd)

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

### (c) Financial instruments (cont'd)

#### (iii) Derecognition (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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 income statements.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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" and "other expenses" respectively in income statements.

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

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

#### (ii) Subsequent costs

The cost of replacing a 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 income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statements as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in income statements on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. 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 at end of the reporting period, and adjusted as appropriate.

### (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. Upon 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.



# Notes to the Financial Statements (cont'd)

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

### (e) Leased assets (cont'd)

#### (i) Finance lease (cont'd)

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.

#### (ii) Operating lease

Leases, where the Group or the Company 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 sheet. 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 income statements on a straight-line basis over the term of lease. Lease incentives received are recognised in 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 income statements as incurred.

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

### **(f) Intangible assets (cont'd)**

#### **(iii) Amortisation**

Amortisation of computer software is recognised in income statements on a straight-line basis over its estimated useful lives 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.

### **(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 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 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 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.

# Notes to the Financial Statements (cont'd)

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

### (g) Investment properties (cont'd)

#### (ii) Determination of fair value (cont'd)

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.

### (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 feeds, 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.

In the current financial year, the Group adopted the amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. The change in accounting policy has been applied retrospectively. Nevertheless, there is no significant impact to the financial statements.

### (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 fair value.

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

### (j) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investment in a joint venture and investments 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in 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.

An impairment loss in respect of available-for-sale financial assets is recognised in 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 to income statements.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statements and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in income statements for an investment in an equity instrument classified as available-for-sale is not reversed through 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 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 income statements.

# Notes to the Financial Statements (cont'd)

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

### (j) Impairment (cont'd)

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period 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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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 since the last impairment loss was recognised. 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 income statements in the financial year in which the reversals are recognised.



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

### **(k) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### **(i) Issue expenses**

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### **(ii) Ordinary shares**

Ordinary shares are classified as equity.

### **(l) 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 income statements in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

### **(m) Revenue and other income**

#### **(i) Goods sold**

Revenue from sale of goods in the course of ordinary activities 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 customer, 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

# Notes to the Financial Statements (cont'd)

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

### (m) Revenue and other income (cont'd)

#### (ii) Rental income

Rental income from investment property is recognised in income statements on a straight-line basis over the term of the lease.

#### (iii) Dividend income

Dividend income is recognised in income statements on the date that the Group's or 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 income statements.

### (n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statements 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.

### (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in 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 or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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

### (o) Income tax (cont'd)

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 profits or tax loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the 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.

### (p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### (q) Operating segments

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

### (r) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

# Notes to the Financial Statements (cont'd)

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

### (r) Fair value measurements (cont'd)

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities.

## 3. Property, plant and equipment

Group	Note	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
<b>Cost</b>							
At 1 January 2012		25,810	219,009	274,284	31,123	130,575	680,801
Additions		14,851	22,067	18,771	3,674	65,308	124,671
Disposals		-	(2,806)	(590)	(1,119)	-	(4,515)
Write-off		-	(38,446)	(10,603)	(318)	-	(49,367)
Transfers		357	100,219	32,685	702	(133,963)	-
Effect of movements in exchange rates		(310)	(1,203)	(1,365)	(190)	(412)	(3,480)
At 31 December 2012/ 1 January 2013		40,708	298,840	313,182	33,872	61,508	748,110
Additions		7,901	33,728	35,051	2,026	29,642	108,348
Disposals		-	(788)	(1,220)	(460)	(5)	(2,473)
Write-off		-	(1,347)	(2,110)	(605)	-	(4,062)
Transfers		-	19,685	33,006	725	(53,416)	-
Effect of movements in exchange rates		502	2,091	3,007	(108)	450	5,942
At 31 December 2013		49,111	352,209	380,916	35,450	38,179	855,865

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

Group	Note	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
<b>Depreciation and impairment loss</b>							
At 1 January 2012							
Accumulated depreciation		7,918	100,438	209,582	22,726	-	340,664
Accumulated impairment loss		-	18,957	5,860	-	-	24,817
		7,918	119,395	215,442	22,726	-	365,481
Depreciation for the year		661	7,164	11,961	2,724	-	22,510
Disposals		-	(2,613)	(548)	(1,000)	-	(4,161)
Write-off	3.1	-	(38,446)	(10,526)	(318)	-	(49,290)
Effect of movements in exchange rates		(141)	(480)	(983)	(149)	-	(1,753)
At 31 December 2012/1 January 2013							
Accumulated depreciation		8,438	84,487	212,702	23,983	-	329,610
Accumulated impairment loss		-	533	2,644	-	-	3,177
		8,438	85,020	215,346	23,983	-	332,787
Depreciation for the year		702	10,054	17,859	3,069	-	31,684
Disposals		-	(770)	(1,058)	(460)	-	(2,288)
Write-off	3.1	-	(855)	(1,850)	(459)	-	(3,164)
Effect of movements in exchange rates		252	806	1,643	265	-	2,966
At 31 December 2013							
Accumulated depreciation		9,392	93,722	229,296	26,398	-	358,808
Accumulated impairment loss		-	533	2,644	-	-	3,177
		9,392	94,255	231,940	26,398	-	361,985
<b>Carrying amounts</b>							
At 1 January 2012		17,892	99,614	58,842	8,397	130,575	315,320
At 31 December 2012/1 January 2013		32,270	213,820	97,836	9,889	61,508	415,323
At 31 December 2013		39,719	257,954	148,976	9,052	38,179	493,880

# Notes to the Financial Statements (cont'd)

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

Company	Note	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
<b>Cost</b>							
At 1 January 2012		9,085	91,774	90,436	13,308	103,510	308,113
Additions		-	19,862	3,630	980	15,601	40,073
Disposals		-	-	(491)	(436)	-	(927)
Write-off		-	(19,474)	(2,830)	(318)	-	(22,622)
Transfers		-	61,410	22,979	-	(84,389)	-
At 31 December 2012/ 1 January 2013		9,085	153,572	113,724	13,534	34,722	324,637
Additions		-	15,889	14,388	551	11,490	42,318
Disposals		-	-	(381)	(300)	-	(681)
Write-off		-	(227)	(150)	(460)	-	(837)
Transfers		-	12,788	9,622	-	(22,410)	-
At 31 December 2013		9,085	182,022	137,203	13,325	23,802	365,437
<b>Depreciation and impairment loss</b>							
At 1 January 2012							
Accumulated depreciation		3,160	36,103	74,280	10,265	-	123,808
Accumulated impairment loss		-	17,015	-	-	-	17,015
Depreciation for the year		3,160	53,118	74,280	10,265	-	140,823
Disposals		203	2,115	3,500	1,157	-	6,975
Write-off	3.1	-	-	(481)	(425)	-	(906)
Write-off	3.1	-	(19,474)	(2,758)	(318)	-	(22,550)
At 31 December 2012/ 1 January 2013							
Accumulated depreciation		3,363	35,759	74,541	10,679	-	124,342
Accumulated impairment loss		-	-	-	-	-	-
Depreciation for the year		3,363	35,759	74,541	10,679	-	124,342
Disposals		206	2,533	6,397	1,106	-	10,242
Disposals		-	-	(316)	(300)	-	(616)
Write-off	3.1	-	(13)	(137)	(361)	-	(511)
At 31 December 2013		3,569	38,279	80,485	11,124	-	133,457
<b>Carrying amounts</b>							
At 1 January 2012		5,925	38,656	16,156	3,043	103,510	167,290
At 31 December 2012/ 1 January 2013		5,722	117,813	39,183	2,855	34,722	200,295
At 31 December 2013		5,516	143,743	56,718	2,201	23,802	231,980



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

#### 3.1 Write-off of impairment loss

The Group and the Company have written off impairment loss of buildings and jetty amounting to Nil (2012: RM18,424,000) and Nil (2012: RM17,015,000) respectively and plant, machinery, fixtures and equipment amounting to Nil (2012: RM3,216,000) and Nil (2012: Nil) respectively.

#### 3.2 Land

Included in the total carrying amounts of land are:

	2013 RM'000	2012 RM'000
<b>Group</b>		
Freehold land	20,362	12,461
Short term leasehold land (less than 50 years)	7,144	7,301
Long term leasehold land (50 years or more)	12,213	12,508
	39,719	32,270
<b>Company</b>		
Long term leasehold land (50 years or more)	5,516	5,722

Legal title to certain leasehold land of the Group with a carrying amount of RM953,000 (2012: RM986,000) have yet to be received from the state authorities.

### 4. Intangible assets

	Computer softwares Group RM'000	Company RM'000
<b>Cost</b>		
At 1 January 2012	8,181	5,415
Additions	125	37
Write-off	(384)	(384)
Effect of movements in exchange rates	(81)	-
At 31 December 2012/1 January 2013	7,841	5,068
Additions	144	116
Write-off	(22)	(1)
Effect of movements in exchange rates	135	-
At 31 December 2013	8,098	5,183

# Notes to the Financial Statements (cont'd)

## 4. Intangible assets (cont'd)

	Computer softwares Group RM'000	Company RM'000
<b>Amortisation</b>		
At 1 January 2012	6,605	5,158
Amortisation for the year	339	136
Write-off	(384)	(384)
Effect of movements in exchange rates	(36)	-
At 31 December 2012/1 January 2013	6,524	4,910
Amortisation for the year	326	125
Write-off	(18)	(1)
Effect of movements in exchange rates	74	-
At 31 December 2013	6,906	5,034
<b>Carrying amounts</b>		
At 1 January 2012	1,576	257
At 31 December 2012/1 January 2013	1,317	158
At 31 December 2013	1,192	149

### 4.1 Intangible assets

Intangible assets principally comprise expenditure that is 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 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
<b>Group</b>			
<b>Cost</b>			
At 1 January 2012/31 December 2012/ 1 January 2013/31 December 2013	3,943	2,836	6,779
<b>Depreciation</b>			
At 1 January 2012	-	1,274	1,274
Charge for the year	-	55	55
At 31 December 2012/1 January 2013	-	1,329	1,329
Charge for the year	-	56	56
At 31 December 2013	-	1,385	1,385
<b>Carrying amounts</b>			
At 1 January 2012	3,943	1,562	5,505
At 31 December 2012/1 January 2013	3,943	1,507	5,450
At 31 December 2013	3,943	1,451	5,394
<b>Company</b>			
<b>Cost</b>			
At 1 January 2012/31 December 2012/ 1 January 2013/31 December 2013	3,672	2,836	6,508
<b>Depreciation</b>			
At 1 January 2012	-	1,274	1,274
Charge for the year	-	55	55
At 31 December 2012/1 January 2013	-	1,329	1,329
Charge for the year	-	56	56
At 31 December 2013	-	1,385	1,385
<b>Carrying amounts</b>			
At 1 January 2012	3,672	1,562	5,234
At 31 December 2012/1 January 2013	3,672	1,507	5,179
At 31 December 2013	3,672	1,451	5,123

The fair value of the investment properties for the Group and the Company as at 31 December 2013 approximate RM69,264,000 (2012: RM60,267,000) and RM68,669,000 (2012: RM59,717,000) respectively.

# Notes to the Financial Statements (cont'd)

## 5. Investment properties (cont'd)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income	285	270	320	305
Direct operating expenses of investment properties:				
- revenue generating investment properties	43	43	49	49

### 5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2013 RM'000
<b>Group</b>	
Land and buildings	69,264
<b>Company</b>	
Land and buildings	68,669

#### Fair value

Fair value is estimated using unobservable inputs for the investment property.

#### Valuation processes applied by the Group for fair value

The fair value of investment properties is determined by external, independent property valuers. The valuation company provides the fair value estimates of the Group's investment property portfolio every year. Changes in fair values are analysed by the management every year after obtaining valuation quotation from the valuation company.

## 6. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost		
- in Malaysia	165,692	146,320
- outside Malaysia	88,610	88,610
	254,302	234,930

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

Name of subsidiary	Principal activities	Effective ownership interest	
		2013 %	2012 %
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
Dindings Broiler Breeder Farm Sdn. Bhd.	Breeding and sale of day-old chicks. The company ceased its operations in 2012	100	100
MFM Feedmill Sdn. Bhd.	Manufacture and sale of animal feeds and sale of related raw material	100	100
Semakin Dinamik Sdn. Bhd.	Breeding and sale of day-old chicks and eggs. The company ceased its operations after the financial year end	100	100
Dindings Poultry Development Centre Sdn. Bhd.	Breeding and sale of day-old chicks, poultry grow-out farm, purchase and contract farming of poultry for resale	100	100

# Notes to the Financial Statements (cont'd)

## 6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2013 %	2012 %
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.	Trading and hedging activities	100	100
Premier Grain Sdn. Bhd.	Trading in corn, soybean meal and other feed ingredients	51	51
<b>Subsidiary of MFM International Ltd.</b>			
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 member firms of KPMG International



## 6. Investments in subsidiaries (cont'd)

### 6.1 Non-controlling interest in subsidiaries

The subsidiaries' information are aggregated based on their operating segment and the principal activities and the proportion of ownership interest held by non-controlling interests are disclosed in pages 85 and 86. The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Subsidiaries with material NCI RM'000	2013 Other subsidiaries with immaterial NCI RM'000	Total RM'000
Carrying amount of NCI	50,655	14,386	65,041
Comprehensive income allocated to NCI	14,114	1,289	15,403
<b>Summarised financial information before intra-group elimination</b>			
<b>As at 31 December</b>			
Non-current assets	22,401		
Current assets	322,118		
Current liabilities	(192,108)		
Net assets	152,411		
<b>Year ended 31 December</b>			
Revenue	976,750		
Profit for the year	35,711		
Total comprehensive income	43,063		
Cash flows from operating activities	47,463		
Cash flows from investing activities	10,780		
Cash flows used in financing activities	(55,764)		
Net increase in cash and cash equivalents	2,479		
Dividends paid to NCI	7,112		

# Notes to the Financial Statements (cont'd)

## 6. Investments in subsidiaries (cont'd)

### 6.1 Non-controlling interest in subsidiaries (cont'd)

	Subsidiaries with material NCI RM'000	2012 Other subsidiaries with immaterial NCI RM'000	Total RM'000
Carrying amount of NCI	43,652	13,098	56,750
Comprehensive income allocated to NCI	6,403	1,479	7,882

#### Summarised financial information before intra-group elimination

##### As at 31 December

Non-current assets	22,193
Current assets	348,565
Current liabilities	(237,703)
Net assets	133,055

##### Year ended 31 December

Revenue	919,120
Profit for the year	27,170
Total comprehensive income	23,027
Cash flows from operating activities	53,808
Cash flows used in investing activities	(34,156)
Cash flows used in financing activities	(17,472)
Net increase in cash and cash equivalents	2,180
Dividends paid to NCI	5,004

## 7. Investment in a joint venture

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost				
- outside Malaysia	39,337	23,063	39,337	23,063
Share of post-acquisition reserves	(3,861)	(1,341)	-	-
Effect of movement of exchange rate	(4,975)	(891)	-	-
	30,501	20,831	39,337	23,063

PT Bungasari Flour Mills Indonesia, the only joint venture in which the Group participates, is principally engaged in milling and selling wheat flour together with its allied products in Indonesia.

The following tables summarise the financial information of PT Bungasari Flour Mills Indonesia, as adjusted for any differences in accounting policies. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in PT Bungasari Flour Mills Indonesia, which is accounted for using the equity method.

	Group	
	2013 %	2012 %
Percentage of ownership interest	30	30
Percentage of voting interest	30	30
<b>Summarised financial information As at 31 December</b>	<b>RM'000</b>	<b>RM'000</b>
Total assets	143,108	72,165
Total liabilities	(41,436)	(2,727)
Revenue	1,983	-
Total comprehensive expense	(22,013)	(7,440)

## 8. Investments in associates

	Group	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost		
- in Malaysia	2,800	2,800
- outside Malaysia	1,120	1,120
	3,920	3,920
Share of post-acquisition reserves	(1,272)	(1,718)
	2,648	2,202

# Notes to the Financial Statements (cont'd)

## 8. Investments in associates (cont'd)

Details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2013 %	2012 %
Fongcheng Enterprises Sendirian Berhad +	Malaysia	Investment	28	28
Freeman Properties Holding Ltd #	Cambodia	Investment	49	49

+ Held through Dindings Soya & Multifeeds Sdn. Berhad

# Held through MFM Property Sdn. Bhd.

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

Group	Fongcheng Enterprises Sendirian Berhad RM'000	Freeman Properties Holding Ltd RM'000	Total RM'000
<b>2013</b>			
<b>Summarised financial information</b>			
<b>As at 31 December</b>			
Total assets	5,144	1,095	6,239
Total liabilities	(1,182)	(32)	(1,214)
Revenue	94,295	-	94,295
Total comprehensive income/(expense)	1,218	(41)	1,177
<b>2012</b>			
<b>Summarised financial information</b>			
<b>As at 31 December</b>			
Total assets	6,530	1,104	7,634
Total liabilities	(3,786)	-	(3,786)
Revenue	82,695	-	82,695
Total comprehensive expense	(1,190)	(21)	(1,211)

## 9. Deferred tax assets/(liabilities)

### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Group</b>						
Property, plant and equipment	-	-	(16,531)	(7,847)	(16,531)	(7,847)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	5,364	5,650	-	-	5,364	5,650
Reinvestment allowance	8,290	-	-	-	8,290	-
Unabsorbed capital allowance	11,100	3,000	-	-	11,100	3,000
Tax assets/(liabilities)	24,754	8,650	(19,537)	(10,853)	5,217	(2,203)
Set off	(18,950)	(3,616)	18,950	3,616	-	-
Net tax assets/(liabilities)	5,804	5,034	(587)	(7,237)	5,217	(2,203)
<b>Company</b>						
Property, plant and equipment	-	-	(14,168)	(5,483)	(14,168)	(5,483)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	1,679	1,839	-	-	1,679	1,839
Reinvestment allowance	8,290	-	-	-	8,290	-
Unabsorbed capital allowance	8,100	-	-	-	8,100	-
Others	-	-	(125)	-	(125)	-
Tax assets/(liabilities)	18,069	1,839	(17,299)	(8,489)	770	(6,650)
Set off	(17,299)	(1,839)	17,299	1,839	-	-
Net tax assets/(liabilities)	770	-	-	(6,650)	770	(6,650)

# Notes to the Financial Statements (cont'd)

## 9. Deferred tax assets/(liabilities) (cont'd)

### Unrecognised deferred tax assets

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

	Group	
	2013 RM'000	2012 RM'000
Taxable temporary differences	(35,628)	(17,181)
Unutilised capital allowance	61,630	55,410
Tax loss carry-forwards	65,370	66,127
	91,372	104,356
Tax at 25% (2012: 25%)	22,843	26,089

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 RM33,000,000 (2012: Nil) available at the balance sheet date to be carried forward to set off against future taxable income. The reinvestment allowance has been recognised in the financial statements.

## 10. Trade and other receivables, including derivatives

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables		262,308	234,544	63,725	66,817
Amount due from subsidiaries	10.1	-	-	249,732	197,950
Amount due from a joint venture	10.2	3,214	6	3,214	6
Other receivables	10.3	18,374	21,910	2,965	6,577
Deposits	10.4	4,958	3,936	3,966	3,244
Financial assets at fair value through profit or loss:					
- foreign currency forward contracts		1,641	-	497	-
- future and option contracts		308	-	-	-
		290,803	260,396	324,099	274,594



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

### 10.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, repayable on demand and interest bearing (2012: interest bearing).

### 10.2 Amount due from a joint venture

The amount due from a joint venture is trade in nature, unsecured, repayable on demand and non-interest bearing (2012: non-interest bearing).

### 10.3 Other receivables

Included in other receivables of the Group are advances paid to suppliers of RM8,126,000 (2012: RM10,390,000) and interest receivable from the deposits placed with licensed banks of RM3,390,000 (2012: RM3,804,000).

### 10.4 Deposits

Included in deposits of the Group are deposits paid for an acquisition of a land of RM3,090,000 (2012: RM2,430,000).

## 11. Inventories

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Raw materials	261,079	328,277	73,608	104,001
Finished goods	31,972	30,285	10,147	8,704
Poultry livestocks and hatching eggs	25,146	26,661	-	-
Consumables	20,317	20,690	3,326	3,700
	338,514	405,913	87,081	116,405

## 12. Cash and cash equivalents

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks	264,188	234,537	21,750	35,890
Cash and bank balances	43,073	27,742	19,750	12,956
	307,261	262,279	41,500	48,846

# Notes to the Financial Statements (cont'd)

## 13. Capital and reserves

### Share capital

	Group and Company		
	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000
			Number of shares 2012 '000
<b>Authorised:</b>			
Ordinary shares of RM0.50 each			
At 1 January/31 December	500,000	1,000,000	500,000
			1,000,000
<b>Issued and fully paid:</b>			
Ordinary shares of RM1.00 each			
At 1 January	-	-	107,645
Subdivided to RM0.50 each	-	-	(107,645)
			(107,645)
At 31 December	-	-	-
			-
Ordinary shares of RM0.50 each			
At 1 January	269,112	538,223	-
Subdivided from RM1.00 each	-	-	107,645
Right shares issued	-	-	107,645
Bonus shares issued	-	-	53,822
Shares issued pursuant to the exercise of warrants	-	-	*
			*
At 31 December	269,112	538,223	269,112
			538,223

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.

In the previous financial year, the issued and paid-up share capital was increased in the following manner:

- (i) On 31 January 2012, the Company had completed 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. 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;
- (ii) On 14 May 2012, a Rights Issue with free Warrants and Bonus Shares ["Rights Issue Exercise"] was completed with the listing of and quotation for the following new ordinary shares on the Main Market of Bursa Securities:
  - (a) 215,289,212 new ordinary shares of RM0.50 each ["Right Shares"] issued pursuant to the Rights Issue Exercise on the basis of two (2) Rights Shares for every two (2) existing ordinary shares of RM0.50 each held, at the issue price of RM0.93 per Rights Share; and
  - (b) 107,644,606 new ordinary shares of RM0.50 each credited as fully paid-up on the basis of one (1) bonus share for every two (2) Rights Shares subscribed.

## 13. Capital and reserves (cont'd)

### Share capital (cont'd)

- (iii) On 31 July 2012, 50 new ordinary shares of RM0.50 each were listed and quoted on the Main Market of Bursa Securities pursuant to the exercise of warrants.

Consequently, the issued and paid-up share capital of the Company increased from RM107,644,606 comprising 107,644,606 ordinary shares of RM1.00 each to RM269,111,540 comprising 538,223,080 ordinary shares of RM0.50 each.

### Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

The movement of reserves for the Group and the Company is stated in the Statement of Changes in Equity.

### Warrant reserve

The Warrants are constituted by the deed poll dated 21 March 2012 ["Deed Poll"].

On 14 May 2012, 107,644,606 warrants ["Warrants"] issued pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) free Warrant for every two (2) Rights Shares subscribed were listed and quoted on the Main Market of Bursa Securities.

Salient features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder thereof ["Warrant holder(s)"] to subscribe for one (1) new ordinary share of RM0.50 each in the Company at the exercise price of RM2.06 during the 5-year period expiring on 9 May 2017 ["Exercise Period"], subject to the adjustments in accordance with the deed poll constituting the Warrants;
- (ii) At the expiry of the Exercise Period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;
- (iii) The new shares to be issued upon the exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with the then existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared by the Company, which entitlement date thereof precedes the allotment date of the new shares to be issued pursuant to the exercise of the warrants;
- (iv) For purpose of trading on Bursa Securities, a board lot for the Warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and
- (v) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

# Notes to the Financial Statements (cont'd)

## 13. Capital and reserves (cont'd)

*Movement in the Warrants since the listing and quotation thereof is as follows:*

	Number of Warrants
As of 14 May 2012	107,644,606
Exercised during the year	(50)
As of 31 December 2012/1 January 2013	107,644,556
Exercised during the year	-
As of 31 December 2013	107,644,556

In the previous financial year, 50 Warrants were exercised which resulted in 50 ordinary shares of RM0.50 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities on 31 July 2012.

### Other capital reserve

Other capital reserve comprises the amount transferred from retained earnings being the profit reinvested as capital contribution by subsidiaries.

### Translation reserve

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

## 14. Trade and other payables, including derivatives

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables		70,576	37,448	7,376	6,664
Amount due to subsidiaries	14.1	-	-	117,251	106,319
Other payables and accruals	14.2	52,995	51,419	14,056	13,418
Financial liabilities at fair value through profit or loss:					
- foreign currency forward contracts		-	164	-	59
- future and option contracts		-	712	-	354
		123,571	89,743	138,683	126,814

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

### 14.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, repayable on demand and interest bearing (2012: interest bearing).

### 14.2 Other payables and accruals

Included in other payables and accruals of the Group and of the Company are deposits from customers of RM11,696,000 (2012: RM9,409,000) and RM199,000 (2012: RM192,000).

## 15. Loans and borrowings

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Non-current</b>				
Unsecured term loan	28,000	28,118	28,000	28,118
<b>Current</b>				
Unsecured bankers' acceptances/ Unsecured revolving credits	565,226	547,853	257,286	188,179
Unsecured term loan	28,118	12,504	28,118	12,504
	593,344	560,357	285,404	200,683
	621,344	588,475	313,404	228,801

Included in the Group's and the Company's loans and borrowings are unsecured bankers' acceptances/ unsecured revolving credits of RM265,839,000 (2012: RM255,494,000) and RM64,128,000 (2012: RM46,780,000) respectively, denominated in USD.

# Notes to the Financial Statements (cont'd)

## 16. Operating profit

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Operating profit is arrived at after charging:</b>					
Amortisation of intangible assets	4	326	339	125	136
Auditors' remuneration:					
- Audit services					
KPMG		291	270	72	78
Affiliates of KPMG		85	86	-	-
Other auditors		6	6	-	-
- Other services					
KPMG		22	22	22	22
Affiliates of KPMG		174	59	88	14
Bad debts written off		617	9	519	6
Depreciation of investment properties	5	56	55	56	55
Depreciation of property, plant and equipment	3	31,684	22,510	10,242	6,975
Impairment loss on trade receivables		624	1,390	-	-
Intangible asset written off		4	-	-	-
Interest expense from:					
- unsecured bankers' acceptance/ unsecured revolving credits		16,575	13,598	7,568	5,779
- subsidiaries		-	-	4,902	2,839
Net realised loss on foreign exchange		2,112	534	-	901
Personnel expense (including key management personnel):					
- Contributions to Employees Provident Fund		8,819	8,692	4,034	3,974
- Wages, salaries and others		81,982	78,914	31,586	28,096
Property, plant and equipment written off		898	77	326	72
Rental expenses for premises		2,576	3,834	960	1,363
Net fair value loss from future and option contracts		448	-	-	-



## 16. Operating profit (cont'd)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>and after crediting:</b>					
Dividends from subsidiaries (unquoted):					
- non tax exempt		-	-	-	960
- tax exempt		-	-	24,034	28,415
Net gain on disposal of property, plant and equipment		20	251	22	71
Insurance recoveries		584	4,727	292	106
Net fair value gain from future and option contracts		-	530	1,490	3,063
Interest income from:					
- deposit placed with licensed banks		19,758	20,957	1,164	1,755
- subsidiaries		-	-	9,054	5,033
Net unrealised gain on foreign exchange		932	1,550	556	840
Rental income from:					
- investment properties	5	285	270	320	305
- others		64	32	2,565	1,070
Reversal of impairment loss on trade receivables		-	841	-	176
Net realised gain on foreign exchange		-	-	846	-

# Notes to the Financial Statements (cont'd)

## 17. Tax (expense)/credit

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Recognised in the income statements</b>				
<b>Current tax expense</b>				
Malaysian - current year	7,768	2,697	2,281	-
- prior year	1,906	(67)	2,004	-
Overseas - current year	11,478	8,547	-	-
- prior year	-	467	-	-
Total current tax expense	21,152	11,644	4,285	-
<b>Deferred tax expense</b>				
Reversal and origination of temporary differences	(7,420)	1,903	(7,420)	2,800
Total deferred tax expense	(7,420)	1,903	(7,420)	2,800
Total tax expense/(credit)	13,732	13,547	(3,135)	2,800
<b>Reconciliation of tax expense/(credit)</b>				
Profit for the year	80,176	37,636	36,664	39,769
Total tax expense/(credit)	13,732	13,547	(3,135)	2,800
Profit before tax	93,908	51,183	33,529	42,569
Tax at Malaysian tax rate of 25% (2012: 25%)	23,477	12,796	8,382	10,642
Effect of tax rates in foreign jurisdiction*	(533)	(3,229)	-	-
Non-deductible expenses	2,055	2,264	2,301	1,607
Non-taxable income	-	(5)	(7,004)	(7,855)
Tax incentives	(1,243)	(719)	(18)	(65)
Recognition of previously unrecognised temporary differences	(3,246)	(365)	-	-
Deferred tax assets not recognised during the year	116	3,850	-	-
Recognition of unutilised reinvestment allowance	(8,290)	-	(8,290)	-
Reversal of deferred tax assets recognised in prior years	-	84	-	-
Tax savings from group relief	-	(1,529)	-	(1,529)
Others	(510)	-	(510)	-
Under provision in prior years	11,826 1,906	13,147 400	(5,139) 2,004	2,800 -
	13,732	13,547	(3,135)	2,800

## 17. Tax (expense)/credit (cont'd)

- \* A subsidiary in a foreign jurisdiction was granted a 50% tax reduction on its taxable income whilst another foreign subsidiary was subject to a 25% tax rate on its taxable income except for a production line which was granted a 50% tax reduction on its taxable income.

## 18. Earnings per ordinary share

### Basic earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Group	
	2013 RM'000	2012 RM'000
<b>Profit attributable to ordinary shareholders of the Company</b>	66,978	28,511
	'000	'000
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	538,223	107,645
Effect of share split	-	107,645
Effect of bonus shares issued	-	107,645
Effect of ordinary shares issued during the financial year	-	146,467
	538,223	469,402
Basic earnings per ordinary share (sen)	12.44	6.07

### Diluted earnings per ordinary share

The diluted earnings per ordinary share amounts is calculated by dividing profit attributable to ordinary shareholders by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares comprising Warrants.

The Warrants are anti-dilutive for the financial year as the Warrants exercise price is higher than the average market price of the Company shares during the financial year. Accordingly, the exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share. Therefore, the diluted earnings per ordinary share is the same as basic earnings per ordinary share.

# Notes to the Financial Statements (cont'd)

## 19. Dividends

Dividends recognised by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2013</b>			
Interim 2012 ordinary	2.25	12,110	29 March 2013
Interim 2013 ordinary	2.25	12,110	20 September 2013
Second interim 2013 ordinary	4.50	24,220	20 December 2013
		48,440	
<b>2012</b>			
Special 2011 ordinary	46.50	100,109	13 April 2012

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      Milling and selling wheat flour and trading in grains and other allied products
- Poultry integration      Manufacture and sale of animal feeds, processing and sale of poultry products, poultry grow-out farm, breeding and sale of day-old-chicks 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 2013 or 2012.

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.

## 20. Operating segments (cont'd)

	Flour and trading in grains and other allied products		Poultry integration		Others		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Business segments</b>										
Revenue from external customers	1,250,549	1,148,529	1,055,489	879,946	-	-	-	-	2,306,038	2,028,475
Inter-segment revenue	399,198	380,023	34,131	31,236	-	-	(433,329)	(411,259)	-	-
<b>Total segment revenue</b>	<b>1,649,747</b>	<b>1,528,552</b>	<b>1,089,620</b>	<b>911,182</b>	<b>-</b>	<b>-</b>	<b>(433,329)</b>	<b>(411,259)</b>	<b>2,306,038</b>	<b>2,028,475</b>
<b>Results from operating activities</b>	<b>59,606</b>	<b>48,791</b>	<b>33,213</b>	<b>(3,222)</b>	<b>(20)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>92,799</b>	<b>45,552</b>
Interest income	29,290	26,548	4,424	2,281	-	-	(13,956)	(7,872)	19,758	20,957
Interest expense	(19,093)	(14,493)	(11,438)	(6,977)	-	-	13,956	7,872	(16,575)	(13,598)
Share of loss of equity accounted joint venture, net of tax	(2,520)	(1,341)	-	-	-	-	-	-	(2,520)	(1,341)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	446	(387)	-	-	-	-	446	(387)
<b>Profit/(Loss) before tax</b>	<b>67,283</b>	<b>59,505</b>	<b>26,645</b>	<b>(8,305)</b>	<b>(20)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>93,908</b>	<b>51,183</b>
Depreciation and amortisation	16,348	11,522	15,718	11,382	-	-	-	-	32,066	22,904
Tax expense	(9,025)	(12,298)	(4,707)	(1,249)	-	-	-	-	(13,732)	(13,547)
Insurance recoveries	323	224	261	4,503	-	-	-	-	584	4,727
Non-cash expenses other than depreciation and amortisation	1,002	28	570	2,320	-	-	-	-	1,572	2,348
Capital expenditure	44,433	50,027	64,059	74,769	-	-	-	-	108,492	124,796
<b>Segment assets</b>	<b>1,038,539</b>	<b>1,007,354</b>	<b>411,700</b>	<b>358,087</b>	<b>4</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>1,450,243</b>	<b>1,365,450</b>
Investment in a joint venture	30,501	20,831	-	-	-	-	-	-	30,501	20,831
Investments in associates	-	-	1,585	1,097	1,063	1,105	-	-	2,648	2,202
<b>Total segments assets</b>	<b>1,069,040</b>	<b>1,028,185</b>	<b>413,285</b>	<b>359,184</b>	<b>1,067</b>	<b>1,114</b>	<b>-</b>	<b>-</b>	<b>1,483,392</b>	<b>1,388,483</b>

# Notes to the Financial Statements (cont'd)

## 20. Operating segments (cont'd)

### Geographical segments

	Malaysia		Vietnam		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue from external customers	1,716,616	1,554,020	589,422	474,455	2,306,038	2,028,475
Non-current assets	485,348	395,087	54,071	55,070	539,419	450,157

### 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 2013.

## 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
<b>2013</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables, including derivatives	10	290,803	288,854	1,949
Cash and cash equivalents	12	307,261	307,261	-
		598,064	596,115	1,949
<b>Company</b>				
Trade and other receivables, including derivatives	10	324,099	323,602	497
Cash and cash equivalents	12	41,500	41,500	-
		365,599	365,102	497

## 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
<b>2013</b>				
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables	14	(123,571)	(123,571)	-
Loans and borrowings	15	(621,344)	(621,344)	-
		(744,915)	(744,915)	-
<b>Company</b>				
Trade and other payables	14	(138,683)	(138,683)	-
Loans and borrowings	15	(313,404)	(313,404)	-
		(452,087)	(452,087)	-
<b>2012</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables	10	260,396	260,396	-
Cash and cash equivalents	12	262,279	262,279	-
		522,675	522,675	-
<b>Company</b>				
Trade and other receivables	10	274,594	274,594	-
Cash and cash equivalents	12	48,846	48,846	-
		323,440	323,440	-
<b>Financial liabilities</b>				
<b>Group</b>				
Trade and other payables, including derivatives	14	(89,743)	(88,867)	(876)
Loans and borrowings	15	(588,475)	(588,475)	-
		(678,218)	(677,342)	(876)
<b>Company</b>				
Trade and other payables, including derivatives	14	(126,814)	(126,401)	(413)
Loans and borrowings	15	(228,801)	(228,801)	-
		(355,615)	(355,202)	(413)



# Notes to the Financial Statements (cont'd)

## 21. Financial instruments (cont'd)

### 21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- foreign currency forward contracts	1,806	(323)	556	(86)
- future and option contracts	(448)	530	1,490	3,063
Loans and receivables	19,134	20,334	10,219	6,964
Financial liabilities measured at amortised cost	(19,560)	(12,187)	(11,624)	(8,593)
	932	8,354	641	1,348

### 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 and the Company 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.

##### *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.

## 21. Financial instruments (cont'd)

### 21.4 Credit risk (cont'd)

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 RM799,000 (2012: RM599,000) and Nil (2012: Nil), respectively.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	201,018	183,240	63,725	66,817
Vietnam	61,290	51,304	-	-
	262,308	234,544	63,725	66,817

#### *Impairment losses*

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	4,761	4,228	1,266	1,442
Impairment loss recognised	624	1,390	-	-
Impairment loss reversed	-	(841)	-	(176)
Impairment loss written off	(617)	-	(519)	-
Effect of movements in exchange rate	26	(16)	-	-
At 31 December	4,794	4,761	747	1,266

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

# Notes to the Financial Statements (cont'd)

## 21. Financial instruments (cont'd)

### 21.4 Credit risk (cont'd)

#### Intercompany advances

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 and floating rates. Market interest rates movements are monitored with the view of 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:

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Fixed rate instruments</b>					
Deposits placed with licensed banks	12	264,188	234,537	21,750	35,890
Unsecured bankers' acceptances/Unsecured revolving credits	15	(565,226)	(547,853)	(257,286)	(188,179)
		(301,038)	(313,316)	(235,536)	(152,289)
<b>Floating rate instruments</b>					
Unsecured term loan	15	(56,118)	(40,622)	(56,118)	(40,622)

## 21. Financial instruments (cont'd)

### 21.5 Interest rate risk (cont'd)

#### *Interest rate risk sensitivity analysis*

##### *(a) Fair value 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 income statements.

##### *(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period 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 foreign currency rates, remained constant.

	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
<b>Group</b>				
<b>2013</b>				
Floating rate instruments	(210)	210	(210)	210
<b>2012</b>				
Floating rate instruments	(152)	152	(152)	152
<b>Company</b>				
<b>2013</b>				
Floating rate instruments	(210)	210	(210)	210
<b>2012</b>				
Floating rate instruments	(152)	152	(152)	152

# Notes to the Financial Statements (cont'd)

## 21. Financial instruments (cont'd)

### 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 functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

		Denominated in <i>USD</i>	
	Note	2013 RM'000	2012 RM'000
<b>Group</b>			
Unsecured bankers' acceptances/ Unsecured revolving credits	15	(265,839)	(255,494)
Financial assets/(liabilities) at fair value through profit or loss:			
- foreign currency forward contracts	10, 14	1,641	(164)
		(264,198)	(255,658)
<b>Company</b>			
Unsecured bankers' acceptances/ Unsecured revolving credits	15	(64,128)	(46,780)
Financial assets/(liabilities) at fair value through profit or loss:			
- foreign currency forward contracts	10, 14	497	(59)
		(63,631)	(46,839)

## 21. Financial instruments (cont'd)

### 21.6 Foreign currency risk (cont'd)

#### *Currency risk sensitivity analysis*

A 5 percent (2012: 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, remained constant.

	2013		2012	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
<b>Group</b>				
USD	-	6,127	-	5,059
<b>Company</b>				
USD	-	1,272	-	256

### 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.

# Notes to the Financial Statements (cont'd)

## 21. Financial instruments (cont'd)

### 21.7 Liquidity risk (cont'd)

#### 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:

Group	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2013</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	14	123,571	-	123,571	123,571	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	15	565,226	0.96 – 4.04	569,115	569,115	-	-
Term loan		56,118	4.55 – 4.60	61,283	30,115	12,696	18,472
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	102,451	102,451	-	-
Inflow	10	(1,641)	-	(104,092)	(104,092)	-	-
		743,274		752,328	721,160	12,696	18,472
<b>2012</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	14	88,867	-	88,867	88,867	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	15	547,853	0.90 - 3.80	552,157	552,157	-	-
Term loan		40,622	4.53	46,319	14,036	32,283	-
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	14	164	-	120,574	120,574	-	-
Inflow	14	-	-	(120,410)	(120,410)	-	-
Future and options contracts:							
Outflow	14	712	-	712	712	-	-
		678,218		688,219	655,936	32,283	-



## 21. Financial instruments (cont'd)

### 21.7 Liquidity risk (cont'd)

#### Maturity analysis (cont'd)

Company	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2013</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	14	138,683	-	138,683	138,683	-	-
Unsecured bankers' acceptances/							
Unsecured revolving credits	15	257,286	1.07 – 4.04	259,656	259,656	-	-
Term loan		56,118	4.55 – 4.60	61,283	30,115	12,696	18,472
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	30,217	30,217	-	-
Inflow	10	(497)	-	(30,714)	(30,714)	-	-
		451,590		459,125	427,957	12,696	18,472
<b>2012</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	14	126,401	-	126,401	126,401	-	-
Unsecured bankers' acceptances/							
Unsecured revolving credits	15	188,179	1.09 – 3.63	190,255	190,255	-	-
Term loan		40,622	4.53	46,319	14,036	32,283	-
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	14	59	-	39,948	39,948	-	-
Inflow	14	-	-	(39,889)	(39,889)	-	-
Future and options contracts:							
Outflow	14	354	-	354	354	-	-
		355,615		363,388	331,105	32,283	-

# Notes to the Financial Statements (cont'd)

## 21. Financial instruments (cont'd)

### 21.8 Fair value information

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

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

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

	2013		2012	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
Foreign currency forward contracts:				
Assets	1,641	1,641	-	-
Liabilities	-	-	164	164
Future and option contracts:				
Assets	308	308	-	-
Liabilities	-	-	712	712
<b>Company</b>				
Foreign currency forward contracts:				
Assets	497	497	-	-
Liabilities	-	-	59	59
Future and option contracts:				
Liabilities	-	-	354	354

#### 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).

The fair value of future and option contracts is based on their quoted price (unadjusted) in active markets for identical assets or liabilities.

## 21. Financial instruments (cont'd)

### 21.8 Fair value information (cont'd)

#### 21.8.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>Group</b>			
<b>2013</b>			
<b>Financial assets</b>			
Foreign currency forward contracts	-	1,641	1,641
Future and option contracts	308	-	308
	308	1,641	1,949
<b>2012</b>			
<b>Financial liabilities</b>			
Foreign currency forward contracts	-	164	164
Future and option contracts	712	-	712
	712	164	876
<b>Company</b>			
<b>2013</b>			
<b>Financial assets</b>			
Foreign currency forward contracts	-	497	497
	-	497	497
<b>2012</b>			
<b>Financial liabilities</b>			
Foreign currency forward contracts	-	59	59
Future and option contracts	354	-	354
	354	59	413

# Notes to the Financial Statements (cont'd)

## 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 2013 and 31 December 2012 were as follows:

	Group	
	2013 RM'000	2012 RM'000
Total borrowings (Note 15)	621,344	588,475
Less: Cash and cash equivalents (Note 12)	(307,261)	(262,279)
Net debt	314,083	326,196
Total equity	732,850	698,882
Debt-to-equity ratio	0.4	0.5

## 23. Capital and other commitments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Property, plant and equipment</b>				
Authorised but not contracted for	61,455	60,010	-	-
Contracted but not provided for	58,883	81,786	40,183	48,402
<b>Investment in a joint venture</b>				
Authorised but not contracted for	14,314	32,114	14,314	32,114

## 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 or jointly 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. Related parties may be individuals or other entities.

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

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 10 and 14.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>A. Subsidiaries</b>				
Sales of goods	-	-	33,699	19,767
Rental of premises	-	-	921	459
Rental of furniture and fittings	-	-	147	147
Rental of equipment	-	-	1,478	467
Rental of motor vehicles	-	-	33	33
Management fees	-	-	-	841
Interest income	-	-	9,054	5,033
Interest expense	-	-	(4,902)	(2,839)
<b>B. Key management personnel</b>				
<b>Directors</b>				
- Fees	900	659	900	659
- Remuneration	4,608	6,253	4,193	5,886
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	206	174	206	175
<b>Total short-term employee benefits</b>	<b>5,714</b>	<b>7,086</b>	<b>5,299</b>	<b>6,720</b>

# Notes to the Financial Statements (cont'd)

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

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	254,206	235,116	172,521	191,752
- unrealised	7,170	(437)	1,680	(5,775)
Add: Consolidation adjustments	261,376 79,049	234,679 87,208	174,201 -	185,977 -
Total retained earnings	340,425	321,887	174,201	185,977

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 50 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 118 to the financial statements has been compiled in accordance with Guidance on 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.

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

**Tan Sri Dato' Seri Utama Arshad bin Ayub**

**Teh Wee Chye**

Kuala Lumpur  
7 April 2014



# Statutory Declaration

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

I, **Koh Yong Kun**, the officer primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 118 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 7 April 2014.

**Koh Yong Kun**

Before me:

**Lee Chin Hin (W493)**  
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 2013 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 50 to 117.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# 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 174(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 25 on page 118 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 Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on 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 174 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

### Johan Idris

Approval Number: 2585/10/14(J)  
Chartered Accountant

Petaling Jaya  
7 April 2014

# Analysis of Shareholdings

As at 25 March 2014

Authorised Capital - RM500,000,000.00  
 Issued and fully paid - RM269,111,540.00  
 Class of shares - 538,223,080 Ordinary shares of RM0.50 each

11,615 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	1,359	11.70	13,379	0.00
100 to 1,000	861	7.41	627,364	0.12
1,001 - 10,000	6,220	53.55	32,178,479	5.98
10,001 - 100,000	2,893	24.91	84,731,085	15.74
100,001 to less than 5% of issued shares	277	2.39	252,370,890	46.89
5% and above of issued shares	5	0.04	168,301,883	31.27
	11,615	100.00	538,223,080	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)]	48,000,000	8.92
2. Duangmanee Liewphairatana	32,880,875	6.11
3. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	31,970,226	5.94
4. Yong Kok Yian	28,534,372	5.30
5. Thye Nam Loong Holdings Sdn Bhd	26,916,410	5.00
6. Astar Commercial Limited	23,815,000	4.42
7. Star Hill Avenue (M) Sdn Bhd	20,240,000	3.76
8. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	17,502,860	3.25
9. Zalaraz Sdn Bhd	15,052,000	2.80
10. Amble Volume Sdn Bhd	13,710,000	2.55
11. Teh Wee Chye	12,500,000	2.32
12. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	11,168,645	2.08
13. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	11,121,925	2.07
14. Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad Bin Ayub)	10,000,000	1.86

# Analysis of Shareholdings (cont'd)

As at 25 March 2014

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
15. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	7,860,855	1.46
16. Favourite Access Sdn Bhd	5,000,000	0.93
17. Teh Li Choo	4,959,810	0.92
18. Solid Esteem Sdn Bhd	4,320,000	0.80
19. Tan Sri Dato' Seri Utama Arshad bin Ayub	2,990,000	0.56
20. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Min)	2,790,899	0.52
21. Yeoh Kean Hua	2,415,000	0.45
22. CIMSEC Nominees (Asing) Sdn Bhd (CIMB Bank for Abdul Aziz Bin Mohamed Hussain)	2,086,900	0.39
23. Amanahraya Trustees Berhad (Amanah Saham Bank Simpanan Nasional)	2,064,000	0.38
24. Allison Foo May Ling	2,000,000	0.37
25. Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.37
26. Voon Chong Kian	2,000,000	0.37
27. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund)	1,906,650	0.35
28. Teo Soo Cheng Sdn Berhad	1,650,000	0.31
29. Citigroup Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Small Cap Series)	1,623,850	0.30
30. Ong Ah Yiew @ Ong Keng Wah	1,613,000	0.30

## Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Teh Wee Chye	45,462,477	8.45	38,823,220 <sup>(1)</sup>	7.21
Duangmanee Liewphairatana	32,880,875	6.11	27,591,575 <sup>(2)</sup>	5.13
Teh Wee Kok	-	-	27,591,575 <sup>(3)</sup>	5.13
Yong Kok Yian	28,534,372	5.30	5,000,000 <sup>(4)</sup>	0.93
Thye Nam Loong Holdings Sdn Bhd	26,916,410	5.00	675,165 <sup>(5)</sup>	0.13
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,111,925	4.48	15,052,000 <sup>(6)</sup>	2.80

## Directors' Interests in the Company and its Related Corporations

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,111,925	4.48	15,052,000 <sup>(6)</sup>	2.80
Teh Wee Chye	45,462,477	8.45	38,823,220 <sup>(1)</sup>	7.21
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.37	-	-
Geh Cheng Hooi	-	-	1,555,000 <sup>(7)</sup>	0.29
Quah Ban Lee	1,175,000	0.22	-	-
Datuk Oh Chong Peng	5,150	0.00	-	-
Lim Pang Boon	220,400	0.04	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	0.00	-	-
Prakash A/L K.V.P Menon	-	-	-	-
Tan Sri Mohd Sidek bin Haji Hassan	-	-	-	-
Azhari Arshad	-	-	15,052,000 <sup>(8)</sup>	2.80

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.

### 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 shareholdings 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.
- (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 shareholdings of his spouse.
- (8) Deemed interested through Zalaraz Sdn Bhd.

# Analysis of Warrant Holdings

As at 25 March 2014

Size of Holdings	No. of Warrant holders	% of Warrant holders	No. of Warrants	% of Warrants
Less than 100	1,292	21.14	8,821	0.01
100 to 1,000	1,644	26.90	1,299,911	1.21
1,001 - 10,000	2,525	41.32	9,056,263	8.41
10,001 - 100,000	574	9.40	16,861,325	15.66
100,001 to less than 5% of Warrants	71	1.16	46,327,846	43.04
5% and above of Warrants	5	0.08	34,090,390	31.67
	6,111	100.00	107,644,556	100.00

Thirty (30) Largest Warrant holders	No. of Warrants	Percentage Holding (%)
1. HSBC Nominees (Asing) Sdn Bhd [Exempt An for Credit Suisse (SG BR-TST-ASING)]	9,720,000	9.03
2. Teh Wee Chye	6,704,059	6.23
3. Duangmanee Liewphairatana	6,576,175	6.11
4. Yong Kok Yian	5,706,874	5.30
5. Thye Nam Loong Holdings Sdn Bhd	5,383,282	5.00
6. Astar Commercial Limited	4,763,000	4.42
7. Star Hill Avenue (M) Sdn Bhd	4,048,000	3.76
8. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	3,500,572	3.25
9. Amble Volume Sdn Bhd	2,742,000	2.55
10. Zalaraz Sdn Bhd	2,644,000	2.46
11. Tan Sri Dato' Seri Utama Arshad bin Ayub	2,500,000	2.32
12. Teh Wee Chye	2,500,000	2.32
13. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Land Sdn Bhd)	2,233,729	2.08
14. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	1,953,385	1.81
15. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	1,572,171	1.46
16. Teh Li Choo	1,057,342	0.98
17. Favourite Access Sdn Bhd	1,000,000	0.93
18. Siew See San @ Siew See Onn	902,350	0.84
19. Maybank Nominees (Tempatan) Sdn Bhd (Tan Kee Chuan)	879,000	0.82



Thirty (30) Largest Warrant holders	No. of Warrants	Percentage Holding (%)
20. Solid Esteem Sdn Bhd	864,000	0.80
21. RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Cheng Lock)	826,800	0.77
22. Pauline Ding	621,000	0.58
23. Ter Leong Swee	610,000	0.57
24. Yeoh Kean Hua	473,000	0.44
25. Allison Foo May Ling	405,400	0.38
26. Chuah Joon Yee	402,600	0.37
27. Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37
28. Su Ming Keat	364,900	0.34
29. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ooi Chin Hock)	360,000	0.33
30. Ong Ah Yiew @ Ong Keng Wah	337,600	0.31

## Directors' Interests in the Company

Name	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	4,453,385	4.14	2,644,000 <sup>(1)</sup>	2.46
Teh Wee Chye	9,210,559	8.56	7,765,044 <sup>(2)</sup>	7.21
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	-	-
Geh Cheng Hooi	-	-	311,000 <sup>(3)</sup>	0.29
Quah Ban Lee	235,000	0.22	-	-
Datuk Oh Chong Peng	1,050	0.00	-	-
Lim Pang Boon	45,600	0.04	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	1,000	0.00	-	-
Prakash A/L K.V.P Menon	-	-	-	-
Tan Sri Mohd Sidek bin Haji Hassan	-	-	-	-
Azhari Arshad	-	-	2,644,000 <sup>(4)</sup>	2.46

### Notes:

(1) Deemed interested through Zalaraz Sdn Bhd.

(2) Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and warrants held by his spouse.

(3) Deemed interested through Emmel Sdn Bhd and warrants held by his spouse.

(4) Deemed interested through Zalaraz Sdn Bhd.

# List of Properties

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-13 RM
Freehold land with shop houses GRN 116112 Lot 3618 Section 4 GRN 116113 Lot 3619 Section 4 Town of Butterworth District of Seberang Perai Utara Penang Total: 1.44 acres	Shoplot	53	9 Sept 1996	3,303,000
Freehold land with residential building GRN 29231 Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	74	4 Dec 1996	1,598,000
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	32-47	6 Oct 1998	100,746,000
Freehold land with shop houses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Shoplot	34	1991	149,000
Leasehold land with building HSD 238626, Lot PTD 119736 (expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Office and factory	21	3 Feb 1995	58,188,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-13 RM
Leasehold land with building HSD 34668 PTD 6411 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Total: 0.13 acres	Shoplot	16	1997	419,000
Freehold land with building HS(D) 212786 PTB 18284 Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim Total: 0.13 acres	Factory	14	1999	521,000
Leasehold land HS(D) 503714 PTD 209638 (expiring on 2-4-2072) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 4.57 acres	Vacant land	2	2011	2,954,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut District of Manjung Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	24	13 Mar 1995	11,133,000
Leasehold land with building PN 108306, Lot 6478 (expiring on 3 November 2093) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 16.1 acres	Office and factory	23	10 Mar 1995	4,722,000
Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Residential house	22	1990	39,000

## 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 31-12-13 RM
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru District of Manjung Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	21	1992	35,933,000
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
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	16	1994	11,770,000
Freehold land with farm buildings HS(M) 15129 PTD 21255 Mukim of Sri Gading District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Breeder Farm	17	2000	1,802,000
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	11	2000	14,297,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-13 RM
Leasehold land with farm buildings HS(D) 3/74, PT 29 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	3	2010	2,208,000
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: 25.91 acres	Broiler Farm	2	2011	8,533,000
Freehold land with farm buildings Geran No. 53949 Lot 3997 Mukim of Tawar District of Baling Kedah Darul Aman Total: 116.83 acres	Breeder Farm	2	2011	30,343,000
Leasehold land PN361705 Lot 15656 PN361706 Lot 15657 (expiring on 13-3-2096) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 10.58 acres	Vacant land	-	2012	6,135,000
Freehold land Geran No. 43156 Lot 4656 Geran No. 11810 Lot 9132 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 95.54 acres	Vacant land	-	2013	7,901,000

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty-Fourth 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, 14 May 2014 at 10.00 a.m. for the following purposes:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. [Please refer to note (1)].
2. To re-elect Mr Teh Wee Chye 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 Quah Ban Lee who retires in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 2)**
4. To note that Mr Lim Pang Boon who retires in accordance with Article 111 of the Company's Articles of Association, has expressed his intention not to seek for re-election. Hence, he will remain in office until the conclusion of the Fifty-Fourth Annual General Meeting.
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 Utama Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 3)**
  - (b) "That pursuant to Section 129(6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 4)**
  - (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 5)**
6. To approve the increase in the aggregate Directors' fees payable to the Non-Executive Directors of the Company from an amount not exceeding RM800,000/- per annum to an amount not exceeding RM1,000,000/- per annum. **(Resolution 6)**
7. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

8. As Special Business:-

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

**8.1 Ordinary Resolution**

**(Resolution 8)**

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

“**THAT** subject always to the Companies Act, 1965, provisions of the Company’s Memorandum and Articles of Association and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

**8.2 Ordinary Resolution**

**(Resolution 9)**

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

“**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad (“Company”) to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, the nature of which is set out in Section 2 of the Circular to Shareholders dated 22 April 2014 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;



# Notice of Annual General Meeting (cont'd)

- (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."

## 8.3 Ordinary Resolution

(Resolution 10)

### 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;

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

- (a) the conclusion of the 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.”

9. 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  
22 April 2014

# 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, speak and vote at the 54th Annual General Meeting is entitled to appoint not more than two (2) proxies to attend, speak and to vote in his/her stead. A proxy may but need not be a member of the Company.
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. Notwithstanding the above, an exempt authorized nominee may appoint multiple proxies in respect of each Omnibus Account held.
6. 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 its common seal or the hand of the attorney duly authorised.
7. **The Form of Proxy shall not be treated as valid unless the posted Form is received or the Form is deposited at the Registered Office of the Company at 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. Forms of Proxy transmitted by fax or email will not be accepted. The Company will not accept any photocopies of the form of proxy in place of the original signed copy.**
8. For the purpose of determining a member who shall be entitled to attend this 54th 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 7 May 2014. 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.

## Explanatory Notes on Special Business

### Resolution 8

The proposed Resolution 8 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total issued share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the Fifty-Third AGM of the Company held on 16 May 2013.

The General Mandate will provide flexibility to the Company to undertake any share issuance on urgent basis for any acquisition involving equity deal which require the Company to allot and issue new shares and which is only to be undertaken if the Directors consider it to be in the best interest of the Company.

### Resolution 9

The proposed Resolution 9, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad 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 10

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

# Statement Accompanying Notice of Annual General Meeting

*Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad*

## Particulars of Directors Standing for Re-Appointment

### 1. Tan Sri Dato' Seri Utama Arshad bin Ayub

*(Independent Non-Executive Chairman)*

Tan Sri Dato' Seri Utama Arshad bin Ayub, aged 85, 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 and Nomination Committees as well as member of the Audit Committee 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, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Bistari Johor Berhad and Karex Berhad.

He has a direct interest of 4.48% in the Company which represents 24,111,925 ordinary shares and an indirect interest of 2.80% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 15,052,000 ordinary shares in the Company.

Encik Azhari Arshad who is also a Director of the Company is his son. He has no family relationship with the other Directors and/or major shareholder of the Company and has no conflict of interest with the Company.

### 2. Mr Geh Cheng Hooi

*(Independent Non-Executive Director)*

Mr Geh Cheng Hooi, aged 79, 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 of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). Presently, he sits on the Board of Wawasan TKH Holdings Berhad.

He has an indirect interest of 0.29% in the Company by virtue of his directorship and shareholding in Emmel Sdn Bhd which holds 1,455,000 ordinary shares in the Company and indirect interest through the ordinary shares of 100,000 held by his spouse.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company.

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

*Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad*

## **3. Dato' Hj Shaharuddin bin Hj Haron**

*(Independent Non-Executive Director)*

Dato' Hj Shaharuddin bin Hj Haron, aged 75, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit Committee 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 a direct interest of 0.37% in the Company which represents 2,000,000 ordinary shares.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company.

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

# FORM OF PROXY

CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_ NRIC No./Passport No./Company No. \_\_\_\_\_  
(full name in block letters)

of \_\_\_\_\_  
(full address)

being a member/members of **MALAYAN FLOUR MILLS BERHAD** hereby appoint:-

Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

\* and/or

Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her, the \*CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Fourth Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 14 May 2014 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote either on a show of hands or on a poll as indicated below:

(Please indicate with a "x" or "√" in the boxes provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

No.	Resolutions	For	Against
1.	Re-election of Mr Teh Wee Chye under Article 111 of the Company's Articles of Association		
2.	Re-election of Mr Quah Ban Lee under Article 111 of the Company's Articles of Association		
	Re-appointment of the following Directors pursuant to Section 129(6) of the Companies Act, 1965:-		
3.	a. Tan Sri Dato' Seri Utama Arshad bin Ayub		
4.	b. Mr. Geh Cheng Hooi		
5.	c. Dato' Hj Shaharuddin bin Hj Haron		
6.	Approval of Directors' fees		
7.	Re-appointment of Auditors		
8.	Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Proposed Renewal of Authority for Share Buy-back		

\* Strike out whichever not applicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2014

\_\_\_\_\_  
Signature/Common Seal of Shareholder

**Notes:-**

- A member entitled to attend, speak and vote at the 54th Annual General Meeting is entitled to appoint not more than two (2) proxies to attend, speak and to vote in his/her stead. A proxy may but need not be a member of the Company.
- 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.
- 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.
- Notwithstanding the above, an exempt authorized nominee may appoint multiple proxies in respect of each Omnibus Account held.
- 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 its common seal or the hand of the attorney duly authorised.
- The Form of Proxy shall not be treated as valid unless the posted Form is received or the Form is deposited at the Registered Office of the Company at 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. Forms of Proxy transmitted by fax or email will not be accepted. The Company will not accept any photocopies of the form of proxy in place of the original signed copy.**
- For the purpose of determining a member who shall be entitled to attend this 54th 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 7 May 2014. 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  
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The Company Secretary  
MALAYAN FLOUR MILLS BERHAD (4260-M)  
22nd Floor, Wisma MCA  
Jalan Ampang, 50450 Kuala Lumpur

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# Ayam Dindings

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**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

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