



Malayan Flour Mills Berhad
(4260-M)

Nurturing
Growth



Annual Report **2014**



Malayan Flour Mills Berhad

(4260-M)

Vision

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



Missions

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

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

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

Contents

| | |
|------------|---|
| 2 | Corporate Information |
| 4 | Board of Directors |
| 5 | Directors' Profile |
| 10 | Chairman's Statement |
| 12 | Corporate Social Responsibility |
| 22 | Corporate Events |
| 26 | Group Financial Highlights |
| 27 | Statement on Corporate Governance |
| 38 | Additional Compliance Information |
| 40 | Audit Committee Report |
| 45 | Statement on Risk Management and Internal Control |
| 49 | Reports and Financial Statements |
| 131 | Analysis of Shareholdings |
| 134 | Analysis of Warrant Holdings |
| 136 | List of Properties |
| 142 | Notice of Annual General Meeting |
| 147 | Statement Accompanying Notice of Annual General Meeting |
| | Form of Proxy |

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., P.B.E.

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.

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

163 Jalan Ampang, 50450 Kuala Lumpur

Tel. No: 03-2170 0999

Fax No: 03-2170 0888

Website: www.mfm.com.my

Registrar

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46, 47301 Petaling Jaya

Selangor Darul Ehsan

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 4045, Blok C, No. 4 Jalan 1/44
Pengkalan Chepa, Mukim Panchor
Daerah Kemumin
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 Poultry Development Centre Sdn Bhd (180044-A)
- Premier Grain Sdn Bhd (754079-T)
- Semakin Dinamik Sdn Bhd (185533-V)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-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 Berhad (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



Tan Sri Dato' Seri Utama
Arshad bin Ayub



Mr Teh Wee Chye



Dato' Hj Shaharuddin
bin Hj Haron



Mr Geh Cheng Hooi



Mr Quah Ban Lee



Datuk Oh Chong Peng



Dato' Wira Zainal Abidin
bin Mahamad Zain



Mr Prakash
A/L K.V.P Menon



Tan Sri Mohd Sidek
bin Haji Hassan



Encik Azhari Arshad

Directors' Profile

Tan Sri Dato' Seri Utama Arshad bin Ayub

(Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub, aged 86, 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 8 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 62, 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 8 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 76, 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 8 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 80, 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 8 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 57, 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 of 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 8 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 70, 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 8 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.

Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain, aged 65, a Malaysian, was appointed to the Board of the Company on 1 September 2009. He holds a Bachelor of Arts (Hons-International Relations) 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 8 Board meetings held during the financial year. He has no conflict of interest with the Company.

Directors' Profile (cont'd)

Mr Prakash A/L K.V.P Menon

(Non-Independent Non-Executive Director)

Mr Prakash A/L K.V.P Menon, aged 56, 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 more than 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 8 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 63, 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 Petroliaam 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 all the 8 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 53, 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 of 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 8 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 2014.

Review of Performance

The Group recorded revenue of RM2.3 billion for the financial year 2014.

The Group's revenue in 2014 included the effect of the new contract farming arrangement implemented during the year whereby day-old-chicks and feeds were transferred instead of being sold to contract farmers, resulting in lower revenue recorded in the poultry integration segment as compared to 2013.

Our profit before tax decreased by 11% to RM83.7 million, and this was attributed to lower margins from the flour and trading in grains segment coupled with higher net interest expenses and higher share of loss on equity accounted joint venture.

Nonetheless, earnings per share ended at 12.59 sen in 2014 as compared to 12.44 sen in 2013, taking into account the recognition of deferred tax assets amounting to RM10.5 million, largely derived from tax benefits in the poultry integration business.

The flour and trading in grains and other allied products segment's revenue constituted 62% of our Group's revenue. The revenue for this segment increased by 14% as compared to the previous year due to higher sales volume of flour and grains. Operating profit, on the other hand, was 29% lower at RM42.3 million resulting from lower margins due to lower selling prices.



Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia (BFMI), had commenced commercial production in the second half of 2014. In spite of being a new player in a very competitive market environment, the joint venture managed to achieve revenue of RM66.0 million from the sales of flour and by-products during the year. However, a Group's share of loss amounting to RM10.8 million was recorded as BFMI has yet to achieve economies of scale in its operations. The Board is positive on BFMI's future prospects in Indonesia with its large population base of 240 million and a growing middle income group.

The poultry integration business delivered record results as the business grew further economies of scale. Its operating profit of RM33.2 million in 2013 grew by 59% to RM52.9 million in 2014. This marked increase in operating profit was a result of improved margin and it includes proceeds from insurance of RM8.1 million mainly relating to insurance claims on part of our plant and machinery at our poultry processing plant which were damaged by fire.

In the long run, the Group is well-positioned to benefit from the synergies derived from an integrated poultry business. In view of the favourable prospects, the Group is working on further expansion in this segment in order to enhance its future earnings growth.

Human Capital

Recognising the importance of human capital to our organization, the Group has embarked on human resource talent development and succession planning programs during the year. These were directed at developing competencies and ensuring sustainability in our Group's businesses in alignment to our long-term vision of becoming a leading food manufacturing enterprise in the region.

Outlook

The global and local economic environment continues to be uncertain whilst commodity prices and foreign exchange rates remain volatile. We will nevertheless continue to grow economies of scale and leverage on our competitive advantages and improve efficiencies. In view of the above, we are positive of achieving further growth in our businesses.

Dividend

The Board of Directors had declared an interim single tier dividend of 3.00 sen per ordinary share for financial year ended 31 December 2014 which was paid on 19 September 2014.

A second interim single tier dividend of 3.50 sen per ordinary share for financial year ended 31 December 2014 was declared on 23 February 2015 and paid on 25 March 2015.

The Board of Directors had decided that it will declare two interim dividends each year payable in September of the same financial year and March of the following financial year.

Appreciation

On behalf of the Board of Directors, I would like to convey our heartiest gratitude to the management and employees at all levels in the Group for their steadfast and unwavering effort, support and commitment.

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
26 March 2015

Corporate Social Responsibility

At Malayan Flour Mills Berhad (“MFM”), we acknowledge that corporate social responsibility (“CSR”) is essential to our current and future success as a business. Hence, we take our CSR seriously and have created strategies, governance structures, corporate policies and codes of conduct that help to embed corporate responsibility into our daily operations. This is demonstrated in the way we deal with our customers, employees and the wider community where we operate. These include good ethical behaviour, concern for employees, care for the environment and community involvement.

CSR for Marketplace

Trust is a critical foundation of a successful and sustainable business. We have worked diligently to foster trusting relationship among the Group and its customers, suppliers, business partners and dealers. In order to maintain high degree of trust with all our stakeholders, 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 strict adherence of HACCP (Hazard Analysis & Critical Control Points), GMP (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 and ISO22000:2005 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.

The following is one of the activities carried out during the year to create value for our customers:

Distributors’ Convention



On 29 October to 1 November 2014, a Convention was held at Siem Reap, Cambodia by DPP to share with all its distributors for Ayam Dindings and Fiesta brands on its future strategic plans, marketing and branding activities as well as giving out awards to outstanding distributors during the Convention. 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

MFM seeks to create value for society and bring joy to people's lives through a broad range of community initiatives, charitable donations and support of non-profit agencies in the communities in which we operate.

Flood Aids



During the severe flood that hit the country at the end of 2014 till early 2015, MFM had provided food assistance as well as donation in supporting flood relief efforts to alleviate the suffering and hardship endured by the flood victims and displaced families.

Besides the chicken products donated for the flood victims in Kelantan, MFM had contributed dry flour-based products to 4,000 flood victims in Kampung Gajah and Lenggong, Perak as well as chicken products for the 'gotong-royong' cooking for the flood victims in Kampung Gajah through the flood relief efforts initiated by the Perak State Authority. In addition, 300 cartons of flour were donated as part of our initiative to help the flood victims in Perak.

MFM also contributed to Yayasan Bina Upaya Darul Ridzuan to ease the burden of the State Government in its efforts to rehabilitate and reconstruct the areas that were badly affected by the destructive flood.

Visit to Orphanage



On 25 January 2014, a visit to an orphanage, Vision Home, in Ipoh was organized by DPP. Besides providing McDonald's Kid's Meal for lunch, activities such as hula hooping and handicraft competition using recycled materials were arranged for the children. Prizes were given out to the top three winners. There were also giveaways in the form of school bags, stationeries and home appliances to the orphanage.

Corporate Social Responsibility (cont'd)

Visit to Old Folk's Home



On 24 May 2014, DPP had organized a visit to an old folk's home namely Persatuan Kebajikan Warga Tua Manjung, Perak. Besides lunch, activities such as wall painting to decorate the home, massage for the elderly and releasing of wishing balloon were carried out for the enjoyment of the elderly folks. Goodies bag for each elderly and contributions in the form of daily necessities were given.

Dengue Eradication Campaign



Due to the serious dengue outbreak, on 23 February 2014, DPP had organized a dengue eradication campaign at Taman Berpadu, Sitiawan, Perak to keep the environment clean and eradicate the breeding ground of the mosquitoes.

Blood Donation Drive



On 18 September 2014, DPP had organized a blood donation drive at its plant at Sitiawan, Perak. The response was good and many staff members had participated in the blood donation.

Products Sponsoring



On 24 May 2014, MFM had contributed its flour products as the main sponsor to a Cookies & Cakes Competition organized by the Majlis Bandaraya Ipoh for its staff at Gunung Lang Recreational Park. There were 30 participants in the competition using MFM flour for baking and cooking.



On 26 June 2014, DPP had also sponsored its further processed products to SJK(C) Uk Dih, Kampung Koh, Sitiawan, Perak for its Sports Day. The products were also available for sale at the event.

Fund Raising



On 22 February 2014, DPP had organized a fund raising event for Sekolah Semangat Maju Sitiawan, Perak at the school whereby DPP's range of further processed products on skewers were sold and all the proceeds were contributed to the school.

Corporate Social Responsibility (cont'd)

Fund Raising (cont'd)



On 17 May 2014 and 15 November 2014, DPP had participated in carnival/fund raising event organized by SRJK Chinese National, Sitiawan, Perak and SJK(C) Batu 11, Cheras, Kuala Lumpur respectively to raise funds. The skewered further processed products as well as frozen further processed products of DPP were sold during the carnival/fund raising event and the proceeds were contributed to the schools.

Contributions to Foundation/Non-Profit Organization

Contribution was given to Yayasan Latihan Insan Istimewa Ipoh, Perak, a non-profit organization which provides shelter to underprivileged Down Syndrome and handicapped children and adults in response to its appeal for welfare funds and expenses to celebrate the Chinese New Year.

MFM had also responded to the appeal for donation by Taiping Catholic Church for the construction of its multipurpose hall. The hall will meet the needs of the community for faith education, provide free medical activities and other functions.

Contributions for Healthcare



In its effort to ease the burden of the rising cost of medication and healthcare on those who require medical treatments, the Company had extended its financial support to Tung Shin Hospital for the operations of the hospital to provide affordable medical services to the sick and needy from all communities.

Contributions for Education

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

In conjunction with the celebration of Montfort Boys Town's 55 Years of Noble Achievements with a 'Founder's Day Charity Dinner', MFM had responded to its appeal for sponsors to provide the less fortunate youth who walk into Montfort with no skills, no hope and not able to see their potential for the future, a chance to lead a purpose-filled life. When the youth walk out of Montfort after 2 years of Character Formation and Vocational Skill Training, they will be equipped with skills, discipline, confidence, hope and a job.



Partnership signing ceremony with SMK Methodist (ACS), Sitiawan, Perak



Partnership signing ceremony with SMJK Nan Hwa, Sitiawan, Perak

MFM made a milestone in partnership with the two top local schools in Manjung town namely SMK Methodist (ACS) and SMJK Nan Hwa, as part of MFM's CSR commitment. The signing ceremony witnessed our commitment to contribute more to the local community by offering Sponsorship of 24 Drums to SMK Methodist for the school's 24 Chinese Drums Troupe setup, along with Form 4 and Form 5 Student Adoption Program and sponsorship of various academic awards and sportswear sponsorship to both the schools. Interestingly the unique piece of this partnership is that MFM will provide structured School Holiday Apprenticeship Programs to students of both schools to enable their students to learn, grow and experience work life in MFM during their year-end school break on top of the yearly Plant Study Visit Program. Hence, MFM is working closely with the local learning institutions to steer industrial driven learning opportunities for the youth in Manjung town.

MFM had also sponsored the MyKasih Charity Golf 2014 organized by MyKasih Foundation. This sports charity event was to raise funds to support the Foundation, particularly in the running of its two core welfare initiatives namely MyKasih 'Love My Neighbourhood' food aid programme for low-income households as well as the MyKasih 'Love My School' student bursary programme for underprivileged school-going children.

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

CSR for Workplace

MFM places great importance on its human capital and is focusing on attracting and retaining quality talent who best fit our job requirements through our development programmes which nurture and 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.

Corporate Social Responsibility (cont'd)

Fair and equitable employment terms as well as equal opportunities for career advancement are provided to the employees regardless of ethnicity, gender and age. The ratio of our male and female employees in MFM Group shows a healthy distribution of 60:40 with women comprising 31% of the management positions.

We continue 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.



On 7 January 2014, the Sales and Marketing team of DPP had participated in a Team Building session. The objectives of the team building activities are to build the courage of the team, encourage teamwork and instill the importance of communication between the team members.

On 17 and 18 April 2014, a Sales Training on Fundamentals of Professional Selling was organized for the Sales and Marketing team of DPP. All the participants were educated on the key sales motivators and need of each customer. This training session allowed the sales team to segregate customers according to their behavior. The team also learned on how to negotiate more effectively.

During September and November 2014, trainings on Sales Communication Psychology were held as the continuation of the earlier training. The main purpose of these trainings was to understand the sales team's individual characteristics along with the variety of customer's characters. The team also learned on how to analyse the client and conduct themselves appropriately based on the analysis.



On 21 and 22 July 2014, the Sales and Marketing team of MFM had participated in a Mid Year Business Review Meeting cum Team Building with some outdoor activities. The objectives of the team building were to enhance communications, interactions between teams, encourage trust and clarity of leadership role within the teams to achieve their goals.



On 19 September and 3 October 2014, Core & Leadership Competency Development Programs were held towards achieving greater heights through human resources development where senior management team together with a total of 5 focus group discussions with over 54 employees from both Malaysia and Vietnam, facilitated by consultants, developed the leadership and core competencies required for MFM Group. Both the leadership and core competencies were built on the Company's Vision, Missions, Strategic Directions, competitive edge and organizational culture. A total of five (5) Leadership Competencies were developed for MFM Group. They are Developing Talent, Relationship & Networking, Strategic Insight, Driving Business Growth and Entrepreneurship. Meanwhile, our core values (Qualitas, Consilium, Progressus) were taken into considerations in developing the core competencies required. The six (6) Core Competencies developed for MFM Group are Self-Competence, Quality Orientation, Teamwork, Customer Focus, Improvement Orientation and Achievement Focus.



During November and December 2014, in order to develop robust talent pipeline in the organization, a total of 38 staffs from both Malaysia and Vietnam were selected to participate in MFM Talent Management – Assessment Centre Batch 1 initiative. The objectives of the initiative are to identify the strengths, potential and areas of development for each participant. Participants were assessed using 4 tools, Comprehensive Harrison Assessment Test, Competency Based Interview, Case Study and 360 Degree Feedback. Subsequent to the assessment centre, results, findings and Individual Development Plan (IDP) were developed for each participant for development purposes. The participants will undergo a Talent Development Programme beginning Year 2015.

Corporate Social Responsibility (cont'd)



DPP organized a health screening campaign called “Kempen Saringan Kesihatan” on 17 October 2014. This was a staff welfare activity which allowed all the staff members to undergo a health check and this campaign was supported by the Klinik Kesihatan Sitiawan.



In December 2014, a communication session on the approved dress code and personal appearance policy was held. The purpose of the policy is to provide guidelines on appropriate dress code and personal appearance during normal office hours and in office premises. It is also announced that every Friday is a Casual Attire Day in conjunction with the provision of Corporate T-Shirts.



As welfare for the employees, various activities such as Annual Dinner, festival celebrations and divisional activities continued to be carried out to foster better ties and interaction amongst our employees.

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 open 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.



On 21 September 2014, DPP had organized a Tree Planting activity at SRJK (C) Eng Ling, Lumut, Perak with the theme "Planting a Green Future". In line with the theme, flowers, trees and grass were planted at the school's compound followed by a wall painting activity.

Corporate Events

Malaysia Food Festival at Mid Valley Exhibition Centre

(3-5 January 2014)

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.



11th Malaysia International Halal (“MIHAS”) Exhibition at Kuala Lumpur Convention Centre

(9-12 April 2014)

DPP participated in the MIHAS and during the exhibition, the high 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.



Launching of New Flour Product - Tepung Gandum Cap Ros 850g

(21 April 2014)

MFM launched its new product namely Tepung Gandum Cap Ros 850g at Tanjung Pauh, Kota Bharu on 21 April 2014 with the event officiated by the Minister of Domestic Trade, Cooperative and Consumerism, YB Dato’ Sri Hasan bin Malek. Baking demonstrations were conducted by the Customer Service team and product samplings and goodies bag with MFM 1kg flour were given to the guests.





Malayan Flour Mills Berhad's 54th Annual General Meeting (14 May 2014)

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



Taste Fully Food & Beverage Expo at Melaka International Trade Centre (30 May – 1 June 2014)

DPP participated in the Expo with special highlight being made on its Fiesta 99 Combo Pack and many positive responses were received.



Food & Beverage Expo at Mid Valley Exhibition Centre (22-24 August 2014)

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

Corporate Events (cont'd)

Mooncake Baking Demonstration & Workshop at One Utama (6 September 2014)

On 6 September 2014, in conjunction with the Mid-Autumn Festive Season, MFM together with KDU Baking team conducted a demonstration and workshop on baking mooncake using the new flour product of MFM, Tepung Gandum Cap Ros. The objective was to provide basic knowledge on baking mooncake as well as to promote the new flour product. The event was a success as the registration of 30 kids for the workshop was full.



Dindings Appreciation Night 2014 at Empire Hotel, Subang Jaya (17 October 2014)

In conjunction with the latest ISO 22000:2005 Certification obtained by DPP along with the Food GMP & HACCP Certifications, DPP organised a dinner to officially launch the respective logos. The main objective of the dinner was to express our gratitude towards our long term business partners who have grown together with the company throughout the years. DPP is looking forward to forge stronger bonds with its business partners.





Christmas Gingerbread Man Activities at One Utama (17 December 2014)

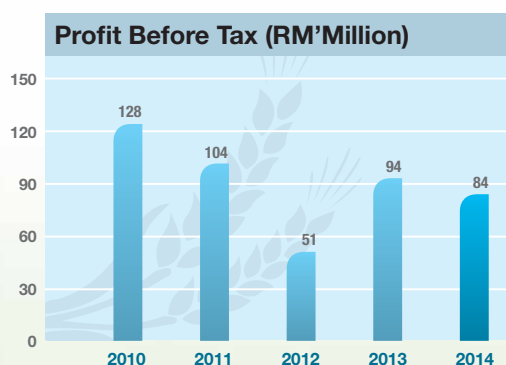
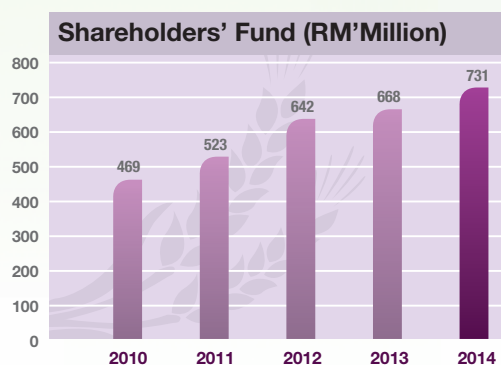
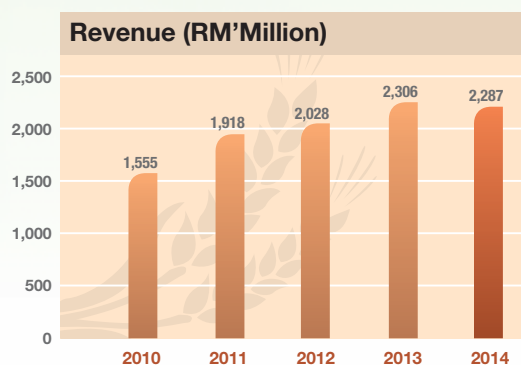
In conjunction with the Christmas Celebration, MFM had organised an event whereby 30 participating kids were given the opportunity to decorate the readymade Gingerbread Man with icing and colorful chocolates to be given to their parents as gift. This was part of the activities of MFM to educate and promote its new flour product namely Tepung Gandum Cap Ros. Goodies bag with MFM 1kg flour were given to the participants as appreciation for their support.

Group Financial Highlights

| | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
|--|--------------------|--------------------|----------------|--------------------|--------------------|
| Revenue | 1,555,091 | 1,918,415 | 2,028,475 | 2,306,038 | 2,286,575 |
| Profit before tax | 127,893 | 103,611 | 51,183 | 93,908 | 83,729 |
| Tax Expense | (27,567) | (11,413) | (13,547) | (13,732) | (4,235) |
| Profit for the year | 100,326 | 92,198 | 37,636 | 80,176 | 79,494 |
| Minority interests | (15,502) | (11,326) | (9,125) | (13,198) | (11,716) |
| Profit attributable to equity holders of the Company | 84,824 | 80,872 | 28,511 | 66,978 | 67,778 |
| Issued Share Capital (RM'000) | 107,645 | 107,645 | 269,112 | 269,112 | 269,114 |
| Shareholders' Fund (RM'000) | 469,073 | 522,511 | 642,132 | 667,809 | 730,560 |
| Net Assets per share (sen)* | 436 | 485 | 119 | 124 | 136 |
| Basic earnings per share (sen)** | 26.27 ^a | 25.04 ^a | 6.07 | 12.44 ^b | 12.59 ^b |
| Gross dividends (%) - taxable | 8.67 ^c | 41.33 ^c | 6.00 | 18.00 | - |
| Gross dividends (%) - single tier | - | - | - | - | 13.00 |
| * Based on number of shares | 107,645 | 107,645 | 538,223 | 538,223 | 538,228 |
| ** Based on weighted average number of shares | 322,935 | 322,935 | 469,402 | 538,223 | 538,225 |

Note:

- Restated to reflect the retrospective adjustment arising from the Share Split and Bonus Issue which were completed during the financial year ended 31 December 2012 in accordance to MFRS 133 on Earnings per Share.
- As disclosed in Note 19 to the Financial Statements.
- Restated to reflect the retrospective adjustment arising from the Share Split and Bonus Issue which were 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

Malayan Flour Mills Berhad remains committed in ensuring 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 2014.

Board of Directors

Roles and Responsibilities of the Board

The Board is led and managed by experienced Directors from diverse backgrounds with expertise and skills in banking, finance, accounting, manufacturing, retailing, property development, public services, education and legal. 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 short 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 ten (10) Directors on the Board comprising of two (2) Executive Directors and a strong team of eight (8) Non-Executive Directors of whom seven (7) are Independent Directors. The size and composition of the Board provides for a diversity of views, 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 also 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

The Independent Non-Executive Directors are not involved in the day-to-day management of the Company and not full-time salaried employees. They contribute independent views to matters under consideration, provide wide and unfettered perspective on issues and bring to the Board integrity and a strong sense of ethics. The Board has identified and appointed Mr Geh Cheng Hooi as the Senior Independent Non-Executive Director to whom any concerns on the Company may be conveyed.

Based on the Independent Director's Self-Assessment for Annual Declaration of Independence and results of the Individual Director Self/Peer Evaluation, the Nomination Committee and the Board concluded that all the Independent Non-Executive Directors of the Company continue to be independent-minded and demonstrate conduct and behavior that are essential indicators of independence, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements.

One of the recommendations of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, based on the results of the annual assessment, the Nomination Committee and Board were satisfied that the length of service of all the Independent Directors on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company and they 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.

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.

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, eight (8) Board meetings were held. The attendance of each Director at the Board meetings is as follows:-

| Name of Directors | Meeting Attendance |
|---|--------------------|
| Tan Sri Dato' Seri Utama Arshad bin Ayub | 8/8 |
| Mr Teh Wee Chye | 8/8 |
| Dato' Hj Shaharuddin bin Hj Haron | 8/8 |
| Mr Geh Cheng Hooi | 6/8 |
| Mr Quah Ban Lee | 8/8 |
| Datuk Oh Chong Peng | 8/8 |
| Dato' Wira Zainal Abidin bin Mahamad Zain | 8/8 |
| Mr Prakash A/L K.V.P Menon | 8/8 |
| Tan Sri Mohd Sidek bin Haji Hassan | 8/8 |
| Encik Azhari Arshad | 8/8 |
| Mr Lim Pang Boon (retired on 14 May 2014) | 2/2 |

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 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 notify 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

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.

Besides these, a visit to the flour and feed mills, poultry farms and processing plant was organized for the Directors. During the field trip, the Directors were briefed on the process of the productions prior to visiting the facilities of the plants and farms. The visit had enabled the Directors to have a better understanding on the production operations of the Group and hence, will assist them in making better decision.

The conferences, seminars and training programmes attended by the Directors of the Company during the year covered the following topics:

- ASEAN Economic Development
- Annual ASEAN Corporate Governance Summit
- Myanmar Consumer Summit
- Corporate Disclosure
- Implementing Goods and Services Tax and Tax Summit
- Change Management
- Asia Grain Transportation and Grain Storage
- Listing & Financial Guidelines/Procedures
- Bank Negara Malaysia Annual Report Update
- Personal Data Protection Act
- Recovery & Resolution Planning
- Directors' Continuing Education Programme
- Securities Commission Discussion on National Sustainability and Diversity
- Panelist at Institute of Internal Auditors Malaysia Conference on Ethics & Integrity
- Business Leadership – Develop and Become Transformational Leaders
- Audit Committee Workshop
- Director's Duties, Governance and Regulatory Updates
- Transactions by Director
- Corporate Board Leadership Symposium
- Risk Management & Internal Control

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 40 to 44 of this Annual Report.

Statement on Corporate Governance (cont'd)

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

Nomination Committee

The Nomination Committee shall comprise exclusively of non-executive directors, a majority of whom must be independent. 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);
- To recommend Directors who are retiring by rotation to be put forward for re-election; and
- To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

Assessment on the Board, Board Committees and individual Director had been carried out for year 2014 via questionnaires which were completed by each Director on a confidential basis. The questionnaires comprised of a Board and Board Committees Performance Evaluation, an Individual Director Self/Peer Evaluation and an Independent Director's Self-Assessment for Annual Declaration of Independence. 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.

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

- The Board had been able to discharge its duties and responsibilities professionally and effectively.
- All the Independent Directors complied with the definition of Independent Director as defined in the Listing Requirements.

- 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.
- 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, Mr Geh Cheng Hooi and Datuk Oh Chong Peng, 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 Dato' Wira Zainal Abidin bin Mahamad Zain and Mr Prakash A/L K.V.P Menon, who are retiring by rotation and have offered themselves for re-election.

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. 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) |

The terms of reference of the Committee are as follows:

- 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;
- To determine and recommend to the Board any performance related pay schemes for the Company or Group;
- To determine the policy for and scope of service agreements for the executive directors, termination payments and compensation commitments;
- To oversee any major changes in employee remuneration and benefit structures throughout the Company or Group;
- 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
- 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.

In reviewing and recommending the Directors' fees, the Committee ensures that the level of remuneration for the Non-Executive Directors commensurate with their scope of responsibilities and contributions to the effective functioning of the Group.

Statement on Corporate Governance (cont'd)

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

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 | - | 2,450 | 1,937 | 160 | 36 |
| 8 Non-Executive Directors | 810 | - | 26 | 13 | 210 |

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

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|----------------------------|---------------------|-------------------------|
| RM100,001 to RM150,000 | | 7 |
| RM250,001 to RM300,000 | | 1 |
| RM400,001 to RM450,000 | 1 | |
| RM1,000,001 to RM1,050,000 | 1 | |
| RM3,150,001 to RM3,200,000 | 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 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.

From time to time, the Company also has dialogues with fund managers and research analysts on the performance and prospects 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.

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.

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.

Statement on Corporate Governance (cont'd)

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

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 45 to 47 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.

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. Practising 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 External Auditors

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

Directors' Responsibility Statement

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2014, the Directors have:

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

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

Additional Compliance Information

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

1. Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2014.

2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31 December 2014.

3. Options, Warrants or Convertible Securities

Pursuant to a Rights Issue with free Warrants exercise, the Company has issued 107,644,606 Warrants which were listed on the Main Market of Bursa Securities on 14 May 2012.

As at 31 December 2014, 107,639,556 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.

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 RM27,000 would be payable to the External Auditors, KPMG and RM175,000 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 2014 and the unaudited results for the quarter ended 31 December 2014 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 2014 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 26 to the financial statements on pages 124 to 125 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 26 to the financial statements on page 124 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 2014.

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 | 5 of 5 meetings |
| Encik Azhari Arshad | 5 of 5 meetings |

Terms of Reference

1. Composition

- The Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) 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.

1. Composition (cont'd)

- c. At least one (1) member of the Audit Committee:
 - i. must be a member of the Malaysian Institute of Accountants; or
 - 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 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.

Audit Committee Report (cont'd)

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.

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 2014 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 enhance its functions, competency and resources to provide the necessary assurance to the Audit Committee on the adequacy and effectiveness of the Company's risk management, governance and control processes.

Audit Committee Report (cont'd)

Summary of Activities of the Audit Committee (cont'd)

- 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 Group Internal Audit & Risk Management Department ("IARM") 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 IARM as well as the nature of the assurance and consultancy activities provided by the function are articulated in the internal audit charter.

The IARM reports directly to the Audit Committee who reviews and approves the IARM'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 IARM 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 & Risk Management function for year 2014 were approximately RM410,423.

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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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.

Statement on Risk Management and Internal Control (cont'd)

- The Group has in place an organization 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 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 credits 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 behaviour or any misconduct.

Review of this Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with Recommended Practice Guide ("RPG") 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control, in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Additionally, they are not required to perform any procedures by way of audit, review or verification of the underlying records or other sources from which the Statement on Risk Management and Internal Control was extracted.

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.

The Group's system of internal control applies to Malayan Flour Mills Berhad and its subsidiaries only. Joint ventures and associates are excluded because the Group does not have full management and control over them. However, the Group's interests in its material joint venture and associates are served through representations on the Board of Directors of the respective joint venture and associate companies.

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 26 March 2015.

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Reports and Financial Statements

| | |
|------------|------------------------------------|
| 50 | Directors' Report |
| 56 | Balance Sheets |
| 57 | Income Statements |
| 58 | Statements of Comprehensive Income |
| 59 | Statement of Changes in Equity |
| 61 | Statements of Cash Flows |
| 64 | Notes to the Financial Statements |
| 127 | Statement by Directors |
| 128 | Statutory Declaration |
| 129 | Independent Auditors' Report |



Directors' Report

for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

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 | 67,778 | 83,693 |
| Non-controlling interests | 11,716 | - |
| | 79,494 | 83,693 |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid an interim single tier dividend of 3.00 sen per ordinary share totalling approximately RM16,147,000 in respect of the financial year ended 31 December 2014 on 19 September 2014.

On 23 February 2015, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM18,838,000 in respect of the financial year ended 31 December 2014, which was paid on 25 March 2015.

The Directors do not recommend any payment of final dividend for the financial 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
 Dato' Wira Zainal Abidin bin Mahamad Zain
 Prakash A/L K.V.P Menon
 Tan Sri Mohd Sidek bin Haji Hassan
 Azhari Arshad
 Lim Pang Boon (retired on 14 May 2014)

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 1.1.2014 | Acquired | Disposed | At 31.12.2014 |
| Company - Malayan Flour Mills Berhad | | | | |
| Direct interest | | | | |
| Teh Wee Chye | 45,462,477 | - | - | 45,462,477 |
| Tan Sri Dato' Seri Utama Arshad bin Ayub | 24,111,925 | 100,000 | - | 24,211,925 |
| Dato' Hj Shaharuddin bin Hj Haron | 2,000,000 | - | - | 2,000,000 |
| Quah Ban Lee | 1,175,000 | - | - | 1,175,000 |
| Datuk Oh Chong Peng | 5,150 | - | - | 5,150 |
| Dato' Wira Zainal Abidin bin Mahamad Zain | 5,000 | - | - | 5,000 |
| Deemed interest | | | | |
| Teh Wee Chye | | | | |
| - own | 38,760,220 | - | - | 38,760,220 |
| - others* | 63,000 | - | - | 63,000 |
| Tan Sri Dato' Seri Utama Arshad bin Ayub | 15,052,000 | - | - | 15,052,000 |
| Geh Cheng Hooi | | | | |
| - own | 1,455,000 | 54,000 | - | 1,509,000 |
| - others* | 100,000 | - | - | 100,000 |
| Azhari Arshad | 15,052,000 | - | - | 15,052,000 |

Directors' Report (cont'd)

for the year ended 31 December 2014

Directors' interests (cont'd)

| | Number of ordinary shares of RM1.00 each | | | |
|--|--|----------|----------|------------------|
| | At 1.1.2014 | Acquired | Disposed | At 31.12.2014 |
| Deemed interest of Teh Wee Chye in subsidiary companies | | | | |
| Dindings Soya & Multifeeds Sdn. Berhad | 29,185,000 | - | - | 29,185,000 |
| Muda Fibre Manufacturing Sdn. Bhd. | 7,000,001 | - | - | 7,000,001 |
| Dindings Poultry Processing Sdn. Bhd. | 51,160,000 | - | - | 51,160,000 |
| Premier Grain Sdn. Bhd. | 10,200,000 | - | - | 10,200,000 |

| | Interest in capital contribution denominated in Vietnamese Dong (VND) | | | |
|-------------------|---|---------------------|---------------------|-----------------------------|
| | At 1.1.2014 VND'000 | Acquired VND'000 | Disposed VND'000 | At 31.12.2014 VND'000 |
| Vimaflour Limited | 149,310,144 | 99,643,740 | - | 248,953,884 |

| | Number of Warrants | | | |
|---|--------------------|----------|----------|------------------|
| | At 1.1.2014 | Acquired | Disposed | At 31.12.2014 |
| Company - Malayan Flour Mills Berhad | | | | |
| Direct interest | | | | |
| Teh Wee Chye | 9,210,559 | - | - | 9,210,559 |
| Tan Sri Dato' Seri Utama Arshad bin Ayub | 4,453,385 | - | - | 4,453,385 |
| Dato' Hj Shahrudin bin Hj Haron | 400,000 | - | - | 400,000 |
| Quah Ban Lee | 235,000 | - | - | 235,000 |
| 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 in Malaysia.

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 2014 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

During the financial year, the issued and paid-up capital was increased from RM269,111,540 comprising of 538,223,080 ordinary shares of RM0.50 each to RM269,114,040 comprising of 538,228,080 ordinary shares of RM0.50 each, whereby 5,000 new ordinary shares of RM0.50 each were listed and quoted on the Main Market of Bursa Securities on 17 July 2014 pursuant to the exercise of warrants.

There were no other 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;

Directors' Report (cont'd)

for the year ended 31 December 2014

Warrants (cont'd)

- (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 ordinary 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 ordinary 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 ordinary 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.

During the financial year, 5,000 Warrants were exercised which resulted in 5,000 new ordinary shares of RM0.50 each being allotted and issued, thereafter listed on the Main Market of Bursa Securities on 17 July 2014. As of 26 March 2015, 107,639,556 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

Other statutory information (cont'd)

- (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, except for the reversal of impairment losses of investments in subsidiaries as disclosed in Note 6 to the financial statements of the Company, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 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
26 March 2015

Balance Sheets

at 31 December 2014

| | | Group | | Company | |
|---|------|------------------|------------------|------------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 563,213 | 493,880 | 254,836 | 231,980 |
| Intangible assets | 4 | 1,033 | 1,192 | 136 | 149 |
| Investment properties | 5 | 5,337 | 5,394 | 5,066 | 5,123 |
| Investments in subsidiaries | 6 | - | - | 307,069 | 254,302 |
| Investment in a joint venture | 7 | 20,988 | 30,501 | 39,337 | 39,337 |
| Investments in associates | 8 | 3,018 | 2,648 | - | - |
| Deferred tax assets | 9 | 17,640 | 5,804 | 4,505 | 770 |
| Total non-current assets | | 611,229 | 539,419 | 610,949 | 531,661 |
| Trade and other receivables, including derivatives | 10 | 313,827 | 290,803 | 362,302 | 324,099 |
| Prepayments and other assets | | 6,395 | 4,182 | 2,023 | 1,565 |
| Inventories | 11 | 408,894 | 313,368 | 161,335 | 87,081 |
| Biological assets | 12 | 40,094 | 25,146 | - | - |
| Current tax assets | | 424 | 3,213 | 217 | 2,284 |
| Cash and cash equivalents | 13 | 346,354 | 307,261 | 36,377 | 41,500 |
| Total current assets | | 1,115,988 | 943,973 | 562,254 | 456,529 |
| Total assets | | 1,727,217 | 1,483,392 | 1,173,203 | 988,190 |
| Equity | | | | | |
| Share capital | | 269,114 | 269,112 | 269,114 | 269,112 |
| Reserves | | 461,446 | 398,697 | 334,545 | 266,991 |
| Total equity attributable to owners of the Company | 14 | 730,560 | 667,809 | 603,659 | 536,103 |
| Non-controlling interests | | 72,297 | 65,041 | - | - |
| Total equity | | 802,857 | 732,850 | 603,659 | 536,103 |
| Liabilities | | | | | |
| Deferred tax liabilities | 9 | 1,948 | 587 | - | - |
| Loans and borrowings | 16 | 32,112 | 28,000 | 32,112 | 28,000 |
| Total non-current liabilities | | 34,060 | 28,587 | 32,112 | 28,000 |
| Trade and other payables, including derivatives | 15 | 119,578 | 123,571 | 173,252 | 138,683 |
| Loans and borrowings | 16 | 767,684 | 593,344 | 364,180 | 285,404 |
| Current tax liabilities | | 3,038 | 5,040 | - | - |
| Total current liabilities | | 890,300 | 721,955 | 537,432 | 424,087 |
| Total liabilities | | 924,360 | 750,542 | 569,544 | 452,087 |
| Total equity and liabilities | | 1,727,217 | 1,483,392 | 1,173,203 | 988,190 |

The notes set out on pages 64 to 125 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2014

| | | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | | 2,286,575 | 2,306,038 | 401,777 | 416,374 |
| Cost of goods sold | | (2,059,106) | (2,085,799) | (353,206) | (361,715) |
| Gross profit | | 227,469 | 220,239 | 48,571 | 54,659 |
| Other income | | 15,111 | 6,812 | 87,012 | 29,756 |
| Distribution and selling expenses | | (106,596) | (95,495) | (32,118) | (31,206) |
| Administrative expenses | | (35,753) | (34,030) | (18,609) | (17,102) |
| Other expenses | | (5,022) | (4,727) | (33) | (326) |
| Results from operating activities | | 95,209 | 92,799 | 84,823 | 35,781 |
| Interest expense | | (19,127) | (16,575) | (15,470) | (12,470) |
| Interest income | | 18,040 | 19,758 | 11,092 | 10,218 |
| Operating profit | 17 | 94,122 | 95,982 | 80,445 | 33,529 |
| Share of loss of equity accounted joint venture, net of tax | | (10,763) | (2,520) | - | - |
| Share of profit of equity accounted associates, net of tax | | 370 | 446 | - | - |
| Profit before tax | | 83,729 | 93,908 | 80,445 | 33,529 |
| Tax (expense)/credit | 18 | (4,235) | (13,732) | 3,248 | 3,135 |
| Profit for the year | | 79,494 | 80,176 | 83,693 | 36,664 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 67,778 | 66,978 | 83,693 | 36,664 |
| Non-controlling interests | | 11,716 | 13,198 | - | - |
| Profit for the year | | 79,494 | 80,176 | 83,693 | 36,664 |
| Basic earnings per ordinary share (sen) | 19 | 12.59 | 12.44 | | |

The notes set out on pages 64 to 125 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2014

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit for the year | 79,494 | 80,176 | 83,693 | 36,664 |
| Other comprehensive income for the year, net of tax | | | | |
| Item that is or may be reclassified subsequently to income statement | | | | |
| Foreign currency translation differences for foreign operations | 13,008 | 9,344 | - | - |
| Total comprehensive income for the year | 92,502 | 89,520 | 83,693 | 36,664 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 78,888 | 74,117 | 83,693 | 36,664 |
| Non-controlling interests | 13,614 | 15,403 | - | - |
| Total comprehensive income for the year | 92,502 | 89,520 | 83,693 | 36,664 |

The notes set out on pages 64 to 125 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2014

| | | ←----- Attributable to owners of the Company -----→ | | | | | ←----- Non-distributable -----→ Distributable | | | |
|---|------|---|-------------------------|---------------------------|----------------------------------|-------------------------------|---|-----------------|-------------------------------------|------------------------|
| Group | Note | Share capital RM'000 | Share premium RM'000 | Warrant reserve RM'000 | Other capital reserves RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 January 2013 | | 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 | 20 | - | - | - | - | - | (48,440) | (48,440) | - | (48,440) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | - | (7,112) | (7,112) |
| At 31 December 2013 | | 269,112 | 59,420 | 33,370 | 30,461 | (64,979) | 340,425 | 667,809 | 65,041 | 732,850 |
| At 1 January 2014 | | 269,112 | 59,420 | 33,370 | 30,461 | (64,979) | 340,425 | 667,809 | 65,041 | 732,850 |
| Foreign currency translation differences for foreign operations | | - | - | - | - | 11,110 | - | 11,110 | 1,898 | 13,008 |
| Profit for the year | | - | - | - | - | - | 67,778 | 67,778 | 11,716 | 79,494 |
| Total comprehensive income for the year | | - | - | - | - | 11,110 | 67,778 | 78,888 | 13,614 | 92,502 |
| Issuance of shares pursuant to the exercise of warrants | 14 | 2 | 8 | - | - | - | - | 10 | - | 10 |
| Dividends to owners of the Company | 20 | - | - | - | - | - | (16,147) | (16,147) | - | (16,147) |
| Dividends to non-controlling interests | | - | - | - | - | - | - | - | (6,358) | (6,358) |
| At 31 December 2014 | | 269,114 | 59,428 | 33,370 | 30,461 | (53,869) | 392,056 | 730,560 | 72,297 | 802,857 |

Statement of Changes in Equity (cont'd)

for the year ended 31 December 2014

| 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 | |
| At 1 January 2013 | | 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 | 20 | - | - | - | (48,440) | (48,440) |
| At 31 December 2013 | | 269,112 | 59,420 | 33,370 | 174,201 | 536,103 |
| At 1 January 2014 | | 269,112 | 59,420 | 33,370 | 174,201 | 536,103 |
| Profit for the year | | - | - | - | 83,693 | 83,693 |
| Other comprehensive income for the year | | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | 83,693 | 83,693 |
| Issuance of shares pursuant to the exercise of warrants | 14 | 2 | 8 | - | - | 10 |
| Dividends to owners of the Company | 20 | - | - | - | (16,147) | (16,147) |
| At 31 December 2014 | | 269,114 | 59,428 | 33,370 | 241,747 | 603,659 |

The notes set out on pages 64 to 125 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2014

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 83,729 | 93,908 | 80,445 | 33,529 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 4 | 263 | 326 | 60 | 125 |
| Depreciation of investment properties | 5 | 57 | 56 | 57 | 56 |
| Depreciation of property, plant and equipment | 3 | 38,033 | 31,684 | 13,617 | 10,242 |
| Dividend income | | - | - | (27,157) | (24,034) |
| Reversal of impairment losses of investments in subsidiaries | | - | - | (52,767) | - |
| Net loss/(gain) on disposal of property, plant and equipment | | 1 | (20) | - | (22) |
| Intangible assets written off | | 10 | 4 | - | - |
| Interest expense | | 19,127 | 16,575 | 15,470 | 12,470 |
| Interest income | | (18,040) | (19,758) | (11,092) | (10,218) |
| Property, plant and equipment written off | | 80 | 898 | 55 | 326 |
| Share of loss of equity accounted joint venture, net of tax | | 10,763 | 2,520 | - | - |
| Share of profit of equity accounted associates, net of tax | | (370) | (446) | - | - |
| Net unrealised loss/(gain) on foreign exchange | | 2,469 | (932) | 482 | (556) |
| Operating profit before changes in working capital | | | | | |
| | | 136,122 | 124,815 | 19,170 | 21,918 |
| Changes in working capital: | | | | | |
| Inventories | | (89,518) | 73,774 | (74,254) | 29,324 |
| Biological assets | | (14,948) | (249) | - | - |
| Trade and other payables and other financial liabilities | | (5,265) | 32,652 | 34,087 | 12,425 |
| Trade and other receivables, prepayments and other financial assets | | (17,967) | (24,624) | (38,444) | (49,370) |
| Cash generated from/(used in) operations | | | | | |
| | | 8,424 | 206,368 | (59,441) | 14,297 |
| Interest paid | | (19,127) | (16,575) | (15,470) | (12,470) |
| Interest received | | 18,040 | 19,758 | 11,092 | 10,218 |
| Tax (paid)/refunded | | (14,033) | (18,816) | 1,580 | (1,595) |
| Net cash (used in)/from operating activities | | | | | |
| | | (6,696) | 190,735 | (62,239) | 10,450 |

Statements of Cash Flows (cont'd)

for the year ended 31 December 2014

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash flows from investing activities | | | | | |
| Acquisition of intangible assets | 4 | (69) | (144) | (47) | (116) |
| Acquisition of property, plant and equipment | 3 | (104,587) | (108,348) | (36,780) | (42,318) |
| Dividend income | | - | - | 27,157 | 24,034 |
| Proceeds from disposal of property, plant and equipment | | 41 | 205 | 35 | 87 |
| Subscription of shares in: | | | | | |
| Subsidiaries | | - | - | - | (19,372) |
| Joint venture | | - | (16,274) | - | (16,274) |
| Net cash used in investing activities | | (104,615) | (124,561) | (9,635) | (53,959) |
| Cash flows from financing activities | | | | | |
| Dividends paid to non-controlling interests | | (6,358) | (7,112) | - | - |
| Dividends paid to owners of the Company | | (16,147) | (48,440) | (16,147) | (48,440) |
| Proceeds from issuance of shares pursuant to the exercise of warrants | | 10 | - | 10 | - |
| Proceeds from loans and borrowings, net | | 164,095 | 24,042 | 82,888 | 84,603 |
| Net cash from/(used in) financing activities | | 141,600 | (31,510) | 66,751 | 36,163 |
| Net increase/(decrease) in cash and cash equivalents | | 30,289 | 34,664 | (5,123) | (7,346) |
| Effect of exchange rate fluctuations on cash held | | 8,804 | 10,318 | - | - |
| Cash and cash equivalents at 1 January | | 307,261 | 262,279 | 41,500 | 48,846 |
| Cash and cash equivalents at 31 December | | 346,354 | 307,261 | 36,377 | 41,500 |

Cash and cash equivalents

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

| | Note | Group | | Company | |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deposits placed with licensed banks | 13 | 301,483 | 264,188 | 6,360 | 21,750 |
| Cash and bank balances | 13 | 44,871 | 43,073 | 30,017 | 19,750 |
| | | 346,354 | 307,261 | 36,377 | 41,500 |

The notes set out on pages 64 to 125 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
163 Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 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 26 March 2015.

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 that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

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*

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 (cont'd)

- 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 Property* (Annual Improvements 2011-2013 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, *Financial Instruments: Disclosures* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The initial application of the accounting standards, amendments or 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 except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact of adopting MFRS 9.

(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.

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd)

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 – Fair value of investment properties
- Note 6 – Impairment of investments in subsidiaries
- Note 7 – Impairment of investment in a joint venture
- Note 8 – Impairment of investments in associates
- Note 9 – Recognition of deferred tax assets
- Note 12 – Fair value of biological assets

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.

The Group controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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.

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 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 the income statements.

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 accounts for 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 sheets. Any surplus or deficit arising on the loss of control is recognised in the 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

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 the 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 the income statements. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statements if that gain or loss would be required to be reclassified to the 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Joint arrangements (cont'd)

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 or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method.

Investment in a joint venture is 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 investment includes transaction costs.

(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 a joint venture 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.

2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at 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.

Foreign currency differences arising on retranslation are recognised in the 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.

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 foreign currency translation reserve ("FCTR") in equity.

(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 2012 (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 the income statements as part of the gain or loss on disposal.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

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 the income statements.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the balance sheets 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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

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

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 the income statements.

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

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

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities

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

Fair value through profit or loss category comprises 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.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

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

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 an item 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 the income statements.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to the income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(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 the income statements on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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

| | |
|--|--|
| • leasehold land | 30 to 99 years |
| • buildings and jetty | 10, 20 and 50 years or over the lease period, whichever is shorter |
| • plant, machinery, fixtures and equipment | 4 and 10 years |
| • motor vehicles | 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.

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 sheets. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

2. Significant accounting policies (cont'd)

(f) Intangible assets

(i) Computer software

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation of computer software is recognised in the income statements on a straight-line basis over its estimated useful lives 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 Note 2(d).

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(g) Investment properties (cont'd)

(i) Investment properties carried at cost (cont'd)

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

(ii) Determination of fair value

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

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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 calculated using 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 work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Biological assets

Biological assets are measured on initial recognition and at the end of each financial year, at fair value less cost to sell.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the income statements for the period in which it arises.

2. Significant accounting policies (cont'd)

(i) Biological assets (cont'd)

For biological assets in which market-determined prices or values are not available, and alternative estimates of fair value are determined to be clearly unreliable, the biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Significant assumptions made in determining the fair value of the biological assets are:

- parent stock are expected to have a lifespan of up to 65 weeks;
- the expected selling prices of broiler inventories, hatching eggs and culled parent stock are based on management's estimate of average market prices;
- the costs expected to arise throughout the life of the broiler inventories and parent stock are based on management's estimate of average feed costs; and
- broiler inventories are expected to be sold upon reaching maturity.

A reasonable possible change in the assumptions used will not result in any material change to the fair valuation of biological assets.

(j) 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.

(k) 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 the income statements and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in the 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 the income statements for an investment in an equity instrument classified as available-for-sale is not reversed through the income statements.

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

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets, inventories and biological 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.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the 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 the income statements in the financial year in which the reversals are recognised.

(l) 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.

(m) 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(ii) State plans

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

(n) 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.

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised in the 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 the income statements.

(o) Borrowing costs

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

2. Significant accounting policies (cont'd)

(o) Borrowing costs (cont'd)

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.

(p) Income tax

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

Current tax is the expected tax payable 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.

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 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.

(q) 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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(r) 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.

(s) Fair value measurements

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.

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

| Group | Land RM'000 | Buildings and jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|----------------|-------------------------------------|---|-----------------------------|---|-----------------|
| Cost | | | | | | |
| At 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/ 1 January 2014 | 49,111 | 352,209 | 380,916 | 35,450 | 38,179 | 855,865 |
| Additions | 15,954 | 21,171 | 17,673 | 2,512 | 47,277 | 104,587 |
| Disposals | - | (1,285) | (1,018) | (301) | - | (2,604) |
| Write-off | - | - | (1,059) | (85) | (27) | (1,171) |
| Transfers | - | 2,154 | 13,886 | - | (16,040) | - |
| Effect of movements in exchange rates | 487 | 2,028 | 3,148 | 373 | 616 | 6,652 |
| At 31 December 2014 | 65,552 | 376,277 | 413,546 | 37,949 | 70,005 | 963,329 |

Notes to the Financial Statements (cont'd)

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

| Group | Land RM'000 | Buildings and jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------|-------------------------------------|---|-----------------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | |
| At 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 | - | (855) | (1,850) | (459) | - | (3,164) |
| Effect of movements in exchange rates | 252 | 806 | 1,643 | 265 | - | 2,966 |
| At 31 December 2013/ 1 January 2014 | | | | | | |
| 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 |
| Depreciation for the year | 1,049 | 10,707 | 23,095 | 3,182 | - | 38,033 |
| Disposals | - | (709) | (1,372) | (264) | - | (2,345) |
| Write-off | - | - | (1,006) | (85) | - | (1,091) |
| Effect of movements in exchange rates | 267 | 976 | 2,027 | 264 | - | 3,534 |
| At 31 December 2014 | | | | | | |
| Accumulated depreciation | 10,708 | 104,696 | 252,040 | 29,495 | - | 396,939 |
| Accumulated impairment loss | - | 533 | 2,644 | - | - | 3,177 |
| | 10,708 | 105,229 | 254,684 | 29,495 | - | 400,116 |
| Carrying amounts | | | | | | |
| At 1 January 2013 | 32,270 | 213,820 | 97,836 | 9,889 | 61,508 | 415,323 |
| At 31 December 2013/ 1 January 2014 | 39,719 | 257,954 | 148,976 | 9,052 | 38,179 | 493,880 |
| At 31 December 2014 | 54,844 | 271,048 | 158,862 | 8,454 | 70,005 | 563,213 |

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

| Company | Land RM'000 | Buildings and jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|----------------|-------------------------------------|---|-----------------------------|---|-----------------|
| Cost | | | | | | |
| At 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/ 1 January 2014 | 9,085 | 182,022 | 137,203 | 13,325 | 23,802 | 365,437 |
| Additions | 15,954 | 136 | 3,003 | 259 | 17,428 | 36,780 |
| Disposals | - | (867) | (67) | (201) | - | (1,135) |
| Write-off | - | - | (126) | - | (27) | (153) |
| Transfers | - | 44 | 10,126 | - | (10,170) | - |
| At 31 December 2014 | 25,039 | 181,335 | 150,139 | 13,383 | 31,033 | 400,929 |
| Depreciation | | | | | | |
| At 1 January 2013 | 3,363 | 35,759 | 74,541 | 10,679 | - | 124,342 |
| Depreciation for the year | 206 | 2,533 | 6,397 | 1,106 | - | 10,242 |
| Disposals | - | - | (316) | (300) | - | (616) |
| Write-off | - | (13) | (137) | (361) | - | (511) |
| At 31 December 2013/ 1 January 2014 | 3,569 | 38,279 | 80,485 | 11,124 | - | 133,457 |
| Depreciation for the year | 543 | 3,787 | 8,372 | 915 | - | 13,617 |
| Disposals | - | (650) | (38) | (195) | - | (883) |
| Write-off | - | - | (98) | - | - | (98) |
| At 31 December 2014 | 4,112 | 41,416 | 88,721 | 11,844 | - | 146,093 |
| Carrying amounts | | | | | | |
| At 1 January 2013 | 5,722 | 117,813 | 39,183 | 2,855 | 34,722 | 200,295 |
| At 31 December 2013/ 1 January 2014 | 5,516 | 143,743 | 56,718 | 2,201 | 23,802 | 231,980 |
| At 31 December 2014 | 20,927 | 139,919 | 61,418 | 1,539 | 31,033 | 254,836 |

Notes to the Financial Statements (cont'd)

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

3.1 Land

Included in the total carrying amounts of land are:

| | 2014 RM'000 | 2013 RM'000 |
|--|----------------|----------------|
| Group | | |
| Freehold land | 20,362 | 20,362 |
| Short term leasehold land (less than 50 years) | 6,949 | 7,144 |
| Long term leasehold land (50 years or more) | 27,533 | 12,213 |
| | 54,844 | 39,719 |
| Company | | |
| Long term leasehold land (50 years or more) | 20,927 | 5,516 |

Legal titles to certain leasehold land of the Group with a carrying amount of RM921,000 (2013: RM953,000) have yet to be received from the state authorities.

4. Intangible assets

| | Computer softwares Group RM'000 | Company RM'000 |
|---------------------------------------|---------------------------------------|-------------------|
| Cost | | |
| At 1 January 2013 | 7,841 | 5,068 |
| Additions | 144 | 116 |
| Write-off | (22) | (1) |
| Effect of movements in exchange rates | 135 | - |
| At 31 December 2013/1 January 2014 | 8,098 | 5,183 |
| Additions | 69 | 47 |
| Write-off | (12) | (1) |
| Effect of movements in exchange rates | 133 | - |
| At 31 December 2014 | 8,288 | 5,229 |

4. Intangible assets (cont'd)

| | Computer softwares Group RM'000 | Company RM'000 |
|---------------------------------------|---------------------------------------|-------------------|
| Amortisation | | |
| At 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 2013/1 January 2014 | 6,906 | 5,034 |
| Amortisation for the year | 263 | 60 |
| Write-off | (2) | (1) |
| Effect of movements in exchange rates | 88 | - |
| At 31 December 2014 | 7,255 | 5,093 |
| Carrying amounts | | |
| At 1 January 2013 | 1,317 | 158 |
| At 31 December 2013/1 January 2014 | 1,192 | 149 |
| At 31 December 2014 | 1,033 | 136 |

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 the income statements on a straight-line basis over the intangible assets' estimated useful lives.

Notes to the Financial Statements (cont'd)

5. Investment properties

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|--|----------------------------|---------------------|-----------------|
| Group Cost | | | |
| At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014 | 3,943 | 2,836 | 6,779 |
| Depreciation | | | |
| At 1 January 2013 | - | 1,329 | 1,329 |
| Depreciation for the year | - | 56 | 56 |
| At 31 December 2013/1 January 2014 | - | 1,385 | 1,385 |
| Depreciation for the year | - | 57 | 57 |
| At 31 December 2014 | - | 1,442 | 1,442 |
| Carrying amounts | | | |
| At 1 January 2013 | 3,943 | 1,507 | 5,450 |
| At 31 December 2013/1 January 2014 | 3,943 | 1,451 | 5,394 |
| At 31 December 2014 | 3,943 | 1,394 | 5,337 |
| Company Cost | | | |
| At 1 January 2013/31 December 2013/ 1 January 2014/31 December 2014 | 3,672 | 2,836 | 6,508 |
| Depreciation | | | |
| At 1 January 2013 | - | 1,329 | 1,329 |
| Depreciation for the year | - | 56 | 56 |
| At 31 December 2013/1 January 2014 | - | 1,385 | 1,385 |
| Depreciation for the year | - | 57 | 57 |
| At 31 December 2014 | - | 1,442 | 1,442 |
| Carrying amounts | | | |
| At 1 January 2013 | 3,672 | 1,507 | 5,179 |
| At 31 December 2013/1 January 2014 | 3,672 | 1,451 | 5,123 |
| At 31 December 2014 | 3,672 | 1,394 | 5,066 |

5. Investment properties (cont'd)

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Rental income | 317 | 285 | 352 | 320 |
| Direct operating expenses of investment properties: | | | | |
| - income generating investment properties | 44 | 43 | 49 | 49 |

5.1 Fair value information

Fair value of investment properties are categorised as follows:

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Land and buildings | 73,394 | 69,264 | 72,714 | 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.

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Unquoted shares in Malaysia | | |
| At cost | 219,819 | 219,819 |
| Less: Accumulated impairment losses | (1,360) | (54,127) |
| | 218,459 | 165,692 |
| Unquoted shares outside Malaysia | 88,610 | 88,610 |
| | 307,069 | 254,302 |

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

| Name of subsidiary | Principal activities | Effective ownership interest | |
|--|--|------------------------------|-----------|
| | | 2014 % | 2013 % |
| MFM Feedmill Sdn. Bhd. | Manufacture and sale of animal feeds and sale of related raw materials | 100 | 100 |
| Dindings Soya & Multifeeds Sdn. Berhad | Manufacture and sale of animal feeds and sale of related raw materials | 70 | 70 |
| Premier Grain Sdn. Bhd. | Trading in corn, soybean meal and other feed ingredients | 51 | 51 |
| Dindings Poultry Development Centre Sdn. Bhd. | Breeding and sale of day-old chicks, poultry grow-out farm, purchase and contract farming activities | 100 | 100 |
| Dindings Poultry Processing Sdn. Bhd. | Processing and sale of poultry products | 95 | 95 |
| Vimaflour Limited* (incorporated in Vietnam) | Milling and selling wheat flour together with its allied products | 70 | 70 |
| MFM International Ltd. (incorporated in the British Virgin Islands) # | Investment holding | 100 | 100 |

6. Investments in subsidiaries (cont'd)

| Name of subsidiary | Principal activities | Effective ownership interest | |
|---|--|------------------------------|-----------|
| | | 2014 % | 2013 % |
| MFM Property Sdn. Bhd. | Investment holding | 100 | 100 |
| Semakin Dinamik Sdn. Bhd. | Breeding and sale of day-old chicks and hatching eggs. The company ceased its operations in 2014 | 100 | 100 |
| MFM Ltd. | Trading and hedging activities. The company ceased its operations in 2014 | 100 | 100 |
| Dindings Broiler Breeder Farm Sdn. Bhd. | Dormant | 100 | 100 |
| Syarikat Pengangkutan Lumut Sdn. Bhd. | Dormant | 100 | 100 |
| Muda Fibre Manufacturing Sdn. Bhd. | Dormant | 60 | 60 |
| Dindings Grand Parent Farm Sdn. Bhd. | Dormant | 100 | 100 |
| Subsidiary of MFM International Ltd. | | | |
| Mekong Flour Mills Ltd.* (incorporated in Vietnam) | Milling and selling wheat flour together with its allied products | 100 | 100 |

* Audited by other member firms of KPMG International

Not audited by member firms of KPMG International

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries (cont'd)

6.1 Non-controlling interests 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 92 and 93. The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | Subsidiaries with material NCI RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---------------------------------------|--|--|-------------------------|
| 2014 | | | |
| Carrying amount of NCI | 56,073 | 16,224 | 72,297 |
| Comprehensive income allocated to NCI | 11,773 | 1,841 | 13,614 |

| | | | |
|---------------------------------------|--------|--------|--------|
| 2013 | | | |
| Carrying amount of NCI | 50,655 | 14,386 | 65,041 |
| Comprehensive income allocated to NCI | 14,114 | 1,289 | 15,403 |

| | 2014 Subsidiaries with material NCI RM'000 | 2013 Subsidiaries with material NCI RM'000 |
|--|---|---|
| Summarised financial information before intra-group elimination As at 31 December | | |
| Non-current assets | 31,465 | 22,401 |
| Current assets | 446,375 | 322,118 |
| Current liabilities | (310,271) | (192,108) |
| Net assets | 167,569 | 152,411 |

6. Investments in subsidiaries (cont'd)

6.1 Non-controlling interests in subsidiaries (cont'd)

| | 2014 Subsidiaries with material NCI RM'000 | 2013 Subsidiaries with material NCI RM'000 |
|--|--|--|
| Year ended 31 December | | |
| Revenue | 1,064,287 | 976,750 |
| Profit for the year | 30,027 | 35,711 |
| Total comprehensive income | 36,351 | 43,063 |
| Cash flows (used in)/from operating activities | (38,084) | 47,463 |
| Cash flows (used in)/from investing activities | (39,668) | 10,780 |
| Cash flows from/(used in) financing activities | 84,335 | (55,764) |
| Net increase in cash and cash equivalents | 6,583 | 2,479 |
| Dividends paid to NCI | 6,358 | 7,112 |

7. Investment in a joint venture

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| At cost | | | | |
| Unquoted shares | | | | |
| - outside Malaysia | 39,337 | 39,337 | 39,337 | 39,337 |
| Share of post-acquisition reserves | (14,624) | (3,861) | - | - |
| Effect of movements in exchange rates | (3,725) | (4,975) | - | - |
| | 20,988 | 30,501 | 39,337 | 39,337 |

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.

Notes to the Financial Statements (cont'd)

7. Investment in a joint venture (cont'd)

The following table summarises the financial information of PT Bungasari Flour Mills Indonesia, as adjusted for any differences in accounting policies. The table also reconciles 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 | |
|--|---------------|---------------|
| | 2014 % | 2013 % |
| Percentage of ownership interest | 30 | 30 |
| Summarised financial information | RM'000 | RM'000 |
| As at 31 December | | |
| Total assets | 338,923 | 143,108 |
| Total liabilities | (268,960) | (41,436) |
| Year ended 31 December | | |
| Revenue | 65,991 | 1,983 |
| Total comprehensive expense | (31,709) | (22,013) |
| Group's share of results for year ended 31 December | | |
| Group's share of total comprehensive expense | (9,513) | (6,604) |

8. Investments in associates

| | Group | |
|------------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At cost | | |
| Unquoted shares | | |
| - in Malaysia | 2,800 | 2,800 |
| - outside Malaysia | 1,120 | 1,120 |
| | 3,920 | 3,920 |
| Share of post-acquisition reserves | (902) | (1,272) |
| | 3,018 | 2,648 |

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 | |
|--|--|----------------------------|------------------------------|-----------|
| | | | 2014 % | 2013 % |
| 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 associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

| Group | Fongcheng Enterprises Sendirian Berhad RM'000 | Freeman Properties Holding Ltd. RM'000 | Total RM'000 |
|---|--|---|-----------------|
| 2014 | | | |
| Summarised financial information | | | |
| As at 31 December | | | |
| Total assets | 6,383 | 1,160 | 7,543 |
| Total liabilities | (1,450) | (133) | (1,583) |
| Revenue | 99,948 | - | 99,948 |
| Total comprehensive income/(expense) | 971 | (36) | 935 |
| 2013 | | | |
| Summarised financial information | | | |
| As at 31 December | | | |
| 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 |

Notes to the Financial Statements (cont'd)

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Group | | | | | | |
| Property, plant and equipment | - | - | (18,378) | (16,531) | (18,378) | (16,531) |
| Revaluation on property, plant and equipment | - | - | (3,006) | (3,006) | (3,006) | (3,006) |
| Provisions | 3,056 | 5,364 | - | - | 3,056 | 5,364 |
| Reinvestment allowances | 12,736 | 8,290 | - | - | 12,736 | 8,290 |
| Unabsorbed capital allowances | 17,928 | 11,100 | - | - | 17,928 | 11,100 |
| Tax loss carry-forwards | 3,356 | - | - | - | 3,356 | - |
| Tax assets/(liabilities) | 37,076 | 24,754 | (21,384) | (19,537) | 15,692 | 5,217 |
| Set off of tax | (19,436) | (18,950) | 19,436 | 18,950 | - | - |
| Net tax assets/(liabilities) | 17,640 | 5,804 | (1,948) | (587) | 15,692 | 5,217 |
| Company | | | | | | |
| Property, plant and equipment | - | - | (15,671) | (14,168) | (15,671) | (14,168) |
| Revaluation on property, plant and equipment | - | - | (3,006) | (3,006) | (3,006) | (3,006) |
| Provisions | 1,961 | 1,679 | - | - | 1,961 | 1,679 |
| Reinvestment allowances | 12,736 | 8,290 | - | - | 12,736 | 8,290 |
| Unabsorbed capital allowances | 8,387 | 8,100 | - | - | 8,387 | 8,100 |
| Others | 98 | - | - | (125) | 98 | (125) |
| Tax assets/(liabilities) | 23,182 | 18,069 | (18,677) | (17,299) | 4,505 | 770 |
| Set off of tax | (18,677) | (17,299) | 18,677 | 17,299 | - | - |
| Net tax assets | 4,505 | 770 | - | - | 4,505 | 770 |

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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following temporary differences (stated at gross):

| | Group | |
|-------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Taxable temporary differences | (4,788) | (36,935) |
| Unabsorbed capital allowances | 642 | 64,877 |
| Tax loss carry-forwards | 34,207 | 66,076 |
| | 30,061 | 94,018 |

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

Subject to agreement by the Inland Revenue Board, the Group and the Company have estimated unutilised reinvestment allowances amounting to RM51,000,000 (2013: RM33,000,000) available at the balance sheet date to be carried forward to set off against future taxable income. The reinvestment allowances have been recognised in the financial statements.

10. Trade and other receivables, including derivatives

| | | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Trade receivables | | 279,265 | 262,308 | 63,415 | 63,725 |
| Amount due from subsidiaries | 10.1 | - | - | 294,665 | 249,732 |
| Amount due from a joint venture | 10.2 | 99 | 3,214 | 99 | 3,214 |
| Other receivables | 10.3 | 26,761 | 18,374 | 3,328 | 2,965 |
| Deposits | 10.4 | 1,701 | 4,958 | 728 | 3,966 |
| Financial assets at fair value through profit or loss: | | | | | |
| - foreign currency forward contracts | | 5,254 | 1,641 | 67 | 497 |
| - future and option contracts | | 747 | 308 | - | - |
| | | 313,827 | 290,803 | 362,302 | 324,099 |

Notes to the Financial Statements (cont'd)

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 (2013: 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 (2013: non-interest bearing).

10.3 Other receivables

Included in other receivables of the Group are advances paid to suppliers of RM16,670,000 (2013: RM8,748,000) and interest receivable from the deposits placed with licensed banks of RM6,812,000 (2013: RM6,124,000).

10.4 Deposits

In 2013, included in deposits of the Group was a deposit paid for an acquisition of a land of RM3,090,000. The acquisition was finalised in 2014 and the deposit was capitalised in the costs of long term leasehold land.

11. Inventories

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Raw materials | 348,705 | 261,079 | 144,521 | 73,608 |
| Finished goods | 35,930 | 31,972 | 12,794 | 10,147 |
| Consumables | 24,259 | 20,317 | 4,020 | 3,326 |
| | 408,894 | 313,368 | 161,335 | 87,081 |

12. Biological assets

| | Group | |
|---------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Broiler inventories | 22,759 | 8,016 |
| Parent stock | 12,249 | 12,477 |
| Hatching eggs | 5,086 | 4,653 |
| | 40,094 | 25,146 |

12. Biological assets (cont'd)

The change in the carrying value of biological assets owned by the Group was due to:

| | Group | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Reconciliation of changes in the carrying value | | |
| At 1 January | 25,146 | 24,897 |
| Additions | 553,193 | 694,879 |
| Sales | (538,245) | (694,630) |
| At 31 December | 40,094 | 25,146 |

13. Cash and cash equivalents

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deposits placed with licensed banks | 301,483 | 264,188 | 6,360 | 21,750 |
| Cash and bank balances | 44,871 | 43,073 | 30,017 | 19,750 |
| | 346,354 | 307,261 | 36,377 | 41,500 |

14. Capital and reserves

Share capital

| | Group and Company | | | |
|---|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Amount 2014 RM'000 | Number of shares 2014 '000 | Amount 2013 RM'000 | Number of shares 2013 '000 |
| Authorised: | | | | |
| Ordinary shares of RM0.50 each | | | | |
| At 1 January/31 December | 500,000 | 1,000,000 | 500,000 | 1,000,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM0.50 each | | | | |
| At 1 January | 269,112 | 538,223 | 269,112 | 538,223 |
| Shares issued pursuant to the exercise of warrants | 2 | 5 | - | - |
| At 31 December | 269,114 | 538,228 | 269,112 | 538,223 |

Notes to the Financial Statements (cont'd)

14. Capital and reserves (cont'd)

Share capital (cont'd)

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.

During the financial year, the issued and paid-up capital was increased from RM269,111,540 comprising of 538,223,080 ordinary shares of RM0.50 each to RM269,114,040 comprising of 538,228,080 ordinary shares of RM0.50 each, whereby 5,000 new ordinary shares of RM0.50 each were listed and quoted on the Main Market of Bursa Securities on 17 July 2014 pursuant to the exercise of warrants.

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 ordinary 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 ordinary 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 ordinary 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.

14. Capital and reserves (cont'd)

Warrant reserve (cont'd)

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

| | Number of Warrants |
|------------------------------------|--------------------|
| At 1 January 2013 | 107,644,556 |
| Exercised during the year | - |
| At 31 December 2013/1 January 2014 | 107,644,556 |
| Exercised during the year | (5,000) |
| At 31 December 2014 | 107,639,556 |

During the financial year, 5,000 Warrants were exercised which resulted in 5,000 new ordinary shares of RM0.50 each being allotted and issued, thereafter listed on the Main Market of Bursa Securities on 17 July 2014.

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.

15. Trade and other payables, including derivatives

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Trade payables | | 59,615 | 70,576 | 7,034 | 7,376 |
| Amount due to subsidiaries | 15.1 | - | - | 149,274 | 117,251 |
| Other payables and accruals | 15.2 | 59,963 | 52,995 | 16,271 | 14,056 |
| Financial liabilities at fair value through profit or loss: | | | | | |
| - future and option contracts | | - | - | 673 | - |
| | | 119,578 | 123,571 | 173,252 | 138,683 |

Notes to the Financial Statements (cont'd)

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

15.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, repayable on demand and interest bearing (2013: interest bearing).

15.2 Other payables and accruals

Included in other payables and accruals of the Group and of the Company are deposits from customers of RM12,182,000 (2013: RM11,696,000) and RM203,000 (2013: RM199,000) respectively.

16. Loans and borrowings

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current | | | | |
| Unsecured term loans | 32,112 | 28,000 | 32,112 | 28,000 |
| Current | | | | |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 751,182 | 565,226 | 347,678 | 257,286 |
| Unsecured term loans | 16,502 | 28,118 | 16,502 | 28,118 |
| | 767,684 | 593,344 | 364,180 | 285,404 |
| Total loans and borrowings | 799,796 | 621,344 | 396,292 | 313,404 |

Included in the Group's and the Company's loans and borrowings are unsecured bankers' acceptances/ unsecured revolving credits of RM422,722,000 (2013: RM265,839,000) and RM117,019,000 (2013: RM64,128,000) respectively, denominated in USD.

17. Operating profit

| | | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Operating profit is arrived at after charging: | | | | | |
| Amortisation of intangible assets | 4 | 263 | 326 | 60 | 125 |
| Auditors' remuneration: | | | | | |
| - Audit services | | | | | |
| KPMG | | 303 | 291 | 76 | 72 |
| Affiliates of KPMG | | 87 | 85 | - | - |
| Other auditors | | 7 | 6 | - | - |
| - Other services | | | | | |
| KPMG | | 27 | 22 | 27 | 22 |
| Affiliates of KPMG | | 175 | 174 | 110 | 88 |
| Depreciation of investment properties | 5 | 57 | 56 | 57 | 56 |
| Depreciation of property, plant and equipment | 3 | 38,033 | 31,684 | 13,617 | 10,242 |
| Impairment loss of trade receivables | | 164 | 624 | - | - |
| Intangible assets written off | | 10 | 4 | - | - |
| Interest expense from: | | | | | |
| - unsecured bankers' acceptances/unsecured revolving credits | | 16,541 | 14,780 | 8,315 | 5,773 |
| - unsecured term loans | | 2,586 | 1,795 | 2,586 | 1,795 |
| - subsidiaries | | - | - | 4,569 | 4,902 |
| Net fair value loss from future and option contracts | | - | 448 | 5,962 | - |
| Net loss on disposal of property, plant and equipment | | 1 | - | - | - |
| Net unrealised loss on foreign exchange | | 2,469 | - | 482 | - |
| Net realised loss on foreign exchange | | 3,154 | 2,112 | 540 | - |
| Personnel expense (including key management personnel): | | | | | |
| - Contributions to Employees Provident Fund | | 9,342 | 8,819 | 4,271 | 4,034 |
| - Wages, salaries and others | | 88,536 | 81,982 | 33,854 | 31,586 |
| Property, plant and equipment written off | | 80 | 898 | 55 | 326 |
| Rental expenses for premises | | 3,704 | 2,576 | 1,028 | 960 |

Notes to the Financial Statements (cont'd)

17. Operating profit (cont'd)

| Note | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| and after crediting: | | | | |
| Dividends from subsidiaries (unquoted): | | | | |
| - tax exempt | - | - | 27,157 | 24,034 |
| Insurance recoveries | 9,016 | 584 | 894 | 292 |
| Interest income from: | | | | |
| - deposit placed with licensed banks | 18,040 | 19,758 | 655 | 1,164 |
| - subsidiaries | - | - | 10,437 | 9,054 |
| Net gain on disposal of property, plant and equipment | - | 20 | - | 22 |
| Net fair value gain from future and option contracts | 1,705 | - | - | 1,490 |
| Net unrealised gain on foreign exchange | - | 932 | - | 556 |
| Net realised gain on foreign exchange | - | - | - | 846 |
| Reversal of impairment losses of investments in subsidiaries | - | - | 52,767 | - |
| Rental income from: | | | | |
| - investment properties | 317 | 285 | 352 | 320 |
| - others | 73 | 64 | 3,070 | 2,565 |
| Reversal of impairment loss of trade receivables | 803 | - | 119 | - |

18. Tax (expense)/credit

| | Group | | Company | |
|--|------------------|-----------------|----------------|------------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Recognised in the income statements | | | | |
| Current tax expense | | | | |
| Malaysian - current year | 7,329 | 7,768 | 1,589 | 2,281 |
| - prior year | (1,319) | 1,906 | (1,102) | 2,004 |
| Overseas - current year | 8,648 | 11,478 | - | - |
| - prior year | 52 | - | - | - |
| Total current tax expense | 14,710 | 21,152 | 487 | 4,285 |
| Deferred tax credit | | | | |
| Reversal of temporary differences | (7,635) | (7,420) | (1,108) | (7,420) |
| Over provision in prior year | (2,840) | - | (2,627) | - |
| Total deferred tax credit | (10,475) | (7,420) | (3,735) | (7,420) |
| Total tax expense/(credit) | 4,235 | 13,732 | (3,248) | (3,135) |
| Reconciliation of tax expense/(credit) | | | | |
| Profit for the year | 79,494 | 80,176 | 83,693 | 36,664 |
| Total tax expense/(credit) | 4,235 | 13,732 | (3,248) | (3,135) |
| Profit before tax | 83,729 | 93,908 | 80,445 | 33,529 |
| Tax at Malaysian tax rate of 25% | 20,932 | 23,477 | 20,111 | 8,382 |
| Effect of tax rates in foreign jurisdiction* | (1,536) | (533) | - | - |
| Non-deductible expenses | 7,337 | 2,055 | 3,199 | 2,301 |
| Non-taxable income | - | - | (21,241) | (7,004) |
| Tax incentives | (873) | (1,243) | (144) | (18) |
| Recognition of previously unrecognised deferred tax assets | (16,112) | (3,246) | - | - |
| Deferred tax assets not recognised during the year | 122 | 116 | - | - |
| Recognition of unutilised reinvestment allowances | (1,444) | (8,290) | (1,444) | (8,290) |
| Others | (84) | (510) | - | (510) |
| (Over)/Under provision in prior years | 8,342 (4,107) | 11,826 1,906 | 481 (3,729) | (5,139) 2,004 |
| | 4,235 | 13,732 | (3,248) | (3,135) |

* A subsidiary in a foreign jurisdiction was granted a 50% tax reduction on its taxable income whilst another foreign subsidiary was subject to a 22% tax rate on its taxable income except for a production line which was granted a 50% tax reduction on its taxable income.

Notes to the Financial Statements (cont'd)

19. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Profit attributable to ordinary shareholders of the Company | 67,778 | 66,978 |
| | '000 | '000 |
| Weighted average number of ordinary shares | | |
| Issued ordinary shares at 1 January | 538,223 | 538,223 |
| Effect of ordinary shares issued during the financial year | 2 | - |
| | 538,225 | 538,223 |
| Basic earnings per ordinary share (sen) | 12.59 | 12.44 |

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 as the Warrants exercise price is higher than the average market price of the Company's shares during the current and prior 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.

20. Dividends

Dividends recognised by the Company are:

| | Sen per share | Total amount RM'000 | Date of payment |
|--|------------------|---------------------------|-------------------|
| 2014 | | | |
| Interim 2014 ordinary | 3.00 | 16,147 | 19 September 2014 |
| 2013 | | | |
| Interim 2012 ordinary, net of tax | 2.25 | 12,110 | 29 March 2013 |
| Interim 2013 ordinary, net of tax | 2.25 | 12,110 | 20 September 2013 |
| Second interim 2013 ordinary, net of tax | 4.50 | 24,220 | 20 December 2013 |
| | | 48,440 | |

On 23 February 2015, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM18,838,000 in respect of the financial year ended 31 December 2014, which was paid on 25 March 2015.

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

21. Operating segments

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

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

- Flour and trading in grains and other allied products Milling and selling wheat flour and trading in grains and other allied products
- 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 2014 or 2013.

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.

Notes to the Financial Statements (cont'd)

21. Operating segments (cont'd)

| | Flour and trading in grains and other allied products | | Poultry integration | | Others | | Eliminations | | Consolidated | |
|---|---|------------------|---------------------|------------------|----------------|----------------|------------------|------------------|------------------|------------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Business segments | | | | | | | | | | |
| Revenue from external customers | 1,424,555 | 1,250,549 | 862,020 | 1,055,489 | - | - | - | - | 2,286,575 | 2,306,038 |
| Inter-segment revenue | 347,506 | 399,198 | 61,708 | 34,131 | - | - | (409,214) | (433,329) | - | - |
| Total segment revenue | 1,772,061 | 1,649,747 | 923,728 | 1,089,620 | - | - | (409,214) | (433,329) | 2,286,575 | 2,306,038 |
| Results from operating activities | 42,294 | 59,606 | 52,948 | 33,213 | (33) | (20) | - | - | 95,209 | 92,799 |
| Interest expense | (21,596) | (19,093) | (12,537) | (11,438) | - | - | 15,006 | 13,956 | (19,127) | (16,575) |
| Interest income | 29,377 | 29,290 | 3,669 | 4,424 | - | - | (15,006) | (13,956) | 18,040 | 19,758 |
| Share of loss of equity accounted joint venture, net of tax | (10,763) | (2,520) | - | - | - | - | - | - | (10,763) | (2,520) |
| Share of profit of equity accounted associates, net of tax | - | - | 370 | 446 | - | - | - | - | 370 | 446 |
| Profit/(Loss) before tax | 39,312 | 67,283 | 44,450 | 26,645 | (33) | (20) | - | - | 83,729 | 93,908 |
| Depreciation and amortisation | 19,777 | 16,348 | 18,576 | 15,718 | - | - | - | - | 38,353 | 32,066 |
| Tax (expense)/credit | (6,754) | (9,025) | 2,519 | (4,707) | - | - | - | - | (4,235) | (13,732) |
| Insurance recoveries | 920 | 323 | 8,096 | 261 | - | - | - | - | 9,016 | 584 |
| Non-cash expenses other than depreciation and amortisation | 3,969 | 1,002 | 308 | 570 | - | - | - | - | 4,277 | 1,572 |
| Capital expenditure | 48,306 | 44,433 | 56,350 | 64,059 | - | - | - | - | 104,656 | 108,492 |
| Segment assets | 1,232,655 | 1,038,539 | 470,559 | 411,700 | (3) | 4 | - | - | 1,703,211 | 1,450,243 |
| Investment in a joint venture | 20,988 | 30,501 | - | - | - | - | - | - | 20,988 | 30,501 |
| Investments in associates | - | - | 1,973 | 1,585 | 1,045 | 1,063 | - | - | 3,018 | 2,648 |
| Total segments assets | 1,253,643 | 1,069,040 | 472,532 | 413,285 | 1,042 | 1,067 | - | - | 1,727,217 | 1,483,392 |

21. Operating segments (cont'd)

Geographical segments

| | Malaysia | | Vietnam | | Consolidated | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue from external customers | 1,625,254 | 1,716,616 | 661,321 | 589,422 | 2,286,575 | 2,306,038 |
| Non-current assets | 548,546 | 485,348 | 62,683 | 54,071 | 611,229 | 539,419 |

Major customers

There were no customers with revenue equal to or more than 10% of the Group's total revenue for the financial year ended 31 December 2014.

22. Financial instruments

22.1 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) Financial liabilities measured at amortised cost (FL).

| | Note | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL RM'000 |
|---|------|------------------------------|------------------------|-----------------|
| 2014 | | | | |
| Financial assets | | | | |
| Group | | | | |
| Trade and other receivables, including derivatives | 10 | 313,827 | 307,826 | 6,001 |
| Cash and cash equivalents | 13 | 346,354 | 346,354 | - |
| | | 660,181 | 654,180 | 6,001 |
| Company | | | | |
| Trade and other receivables, including derivatives | 10 | 362,302 | 362,235 | 67 |
| Cash and cash equivalents | 13 | 36,377 | 36,377 | - |
| | | 398,679 | 398,612 | 67 |

Notes to the Financial Statements (cont'd)

22. Financial instruments (cont'd)

22.1 Categories of financial instruments (cont'd)

| | Note | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL RM'000 |
|---|------|------------------------------|------------------------|-----------------|
| 2014 | | | | |
| Financial liabilities | | | | |
| Group | | | | |
| Trade and other payables, including derivatives | 15 | (119,578) | (119,578) | - |
| Loans and borrowings | 16 | (799,796) | (799,796) | - |
| | | (919,374) | (919,374) | - |
| Company | | | | |
| Trade and other payables, including derivatives | 15 | (173,252) | (172,579) | (673) |
| Loans and borrowings | 16 | (396,292) | (396,292) | - |
| | | (569,544) | (568,871) | (673) |
| 2013 | | | | |
| Financial assets | | | | |
| Group | | | | |
| Trade and other receivables, including derivatives | 10 | 290,803 | 288,854 | 1,949 |
| Cash and cash equivalents | 13 | 307,261 | 307,261 | - |
| | | 598,064 | 596,115 | 1,949 |
| Company | | | | |
| Trade and other receivables, including derivatives | 10 | 324,099 | 323,602 | 497 |
| Cash and cash equivalents | 13 | 41,500 | 41,500 | - |
| | | 365,599 | 365,102 | 497 |
| Financial liabilities | | | | |
| Group | | | | |
| Trade and other payables | 15 | (123,571) | (123,571) | - |
| Loans and borrowings | 16 | (621,344) | (621,344) | - |
| | | (744,915) | (744,915) | - |
| Company | | | | |
| Trade and other payables | 15 | (138,683) | (138,683) | - |
| Loans and borrowings | 16 | (313,404) | (313,404) | - |
| | | (452,087) | (452,087) | - |

22. Financial instruments (cont'd)

22.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Net gains/(losses) on: | | | | |
| Fair value through profit or loss: | | | | |
| - foreign currency forward contracts | 4,002 | 1,806 | (40) | 556 |
| - future and option contracts | 1,705 | (448) | (5,962) | 1,490 |
| Loans and receivables | 18,679 | 19,134 | 11,211 | 10,219 |
| Financial liabilities measured at amortised cost | (28,752) | (19,560) | (16,452) | (11,624) |
| | (4,366) | 932 | (11,243) | 641 |

22.3 Financial risk management

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

22.4 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's 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.

Notes to the Financial Statements (cont'd)

22. Financial instruments (cont'd)

22.4 Credit risk (cont'd)

Receivables (cont'd)

Exposure to credit risk and credit quality (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 RM941,000 (2013: RM799,000) and Nil (2013: Nil), respectively.

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

| | Group | | Company | |
|----------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Malaysia | 206,936 | 201,018 | 63,415 | 63,725 |
| Vietnam | 72,329 | 61,290 | - | - |
| | 279,265 | 262,308 | 63,415 | 63,725 |

Impairment losses

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

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| At 1 January | 4,794 | 4,761 | 747 | 1,266 |
| Impairment loss recognised | 164 | 624 | - | - |
| Impairment loss reversed | (803) | - | (119) | - |
| Impairment loss written off | (621) | (617) | (6) | (519) |
| Effect of movements in exchange rates | 23 | 26 | - | - |
| At 31 December | 3,557 | 4,794 | 622 | 747 |

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.

22. Financial instruments (cont'd)

22.4 Credit risk (cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides an unsecured financial guarantee to a financial institution in respect of financing facilities granted to its joint venture corporation. The Company monitors on an ongoing basis the results of the joint venture corporation and repayments made by the joint venture corporation.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to USD10.5 million representing the share of the outstanding banking facilities of the joint venture corporation as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the joint venture corporation would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Intercompany advances

The Company provides unsecured advances to its 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.

22.5 Interest rate risk

The Group's 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's 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's and the Company's interest bearing assets are mainly placed in short term deposits with reputable financial institutions.

Notes to the Financial Statements (cont'd)

22. Financial instruments (cont'd)

22.5 Interest rate risk (cont'd)

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 | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Fixed rate instruments | | | | | |
| Deposits placed with licensed banks | 13 | 301,483 | 264,188 | 6,360 | 21,750 |
| Unsecured bankers' acceptances/Unsecured revolving credits | 16 | (751,182) | (565,226) | (347,678) | (257,286) |
| | | (449,699) | (301,038) | (341,318) | (235,536) |
| Floating rate instruments | | | | | |
| Unsecured term loans | 16 | (48,614) | (56,118) | (48,614) | (56,118) |

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 the 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.

22. Financial instruments (cont'd)

22.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

(b) *Cash flow sensitivity analysis for variable rate instruments (cont'd)*

| | Equity | | Profit or loss | |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 50 bp increase RM'000 | 50 bp decrease RM'000 | 50 bp increase RM'000 | 50 bp decrease RM'000 |
| Group | | | | |
| 2014 | | | | |
| Floating rate instruments | (182) | 182 | (182) | 182 |
| 2013 | | | | |
| Floating rate instruments | (210) | 210 | (210) | 210 |
| Company | | | | |
| 2014 | | | | |
| Floating rate instruments | (182) | 182 | (182) | 182 |
| 2013 | | | | |
| Floating rate instruments | (210) | 210 | (210) | 210 |

22.6 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 the 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.

Notes to the Financial Statements (cont'd)

22. Financial instruments (cont'd)

22.6 Foreign currency risk (cont'd)

Exposure to foreign currency risk

The Group's and the 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 | 2014 RM'000 | 2013 RM'000 |
| Group | | | |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 16 | (422,722) | (265,839) |
| Financial assets at fair value through profit or loss: - foreign currency forward contracts | 10 | 5,254 | 1,641 |
| | | (417,468) | (264,198) |
| Company | | | |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 16 | (117,019) | (64,128) |
| Financial assets at fair value through profit or loss: - foreign currency forward contracts | 10 | 67 | 497 |
| | | (116,952) | (63,631) |

22. Financial instruments (cont'd)

22.6 Foreign currency risk (cont'd)

Currency risk sensitivity analysis

A 5 percent (2013: 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.

| | 2014 | | 2013 | |
|----------------|------------------|-----------------------------|------------------|-----------------------------|
| | Equity RM'000 | Profit or loss RM'000 | Equity RM'000 | Profit or loss RM'000 |
| Group | | | | |
| USD | - | 9,349 | - | 6,127 |
| Company | | | | |
| USD | - | 2,894 | - | 1,272 |

22.7 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)

22. Financial instruments (cont'd)

22.7 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 |
|---|------|---------------------------|--------------------------------|----------------------------------|------------------------|-----------------------|-----------------------|
| 2014 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 15 | 119,578 | - | 119,578 | 119,578 | - | - |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 16 | 751,182 | 0.95 - 4.43 | 755,716 | 755,716 | - | - |
| Unsecured term loans | 16 | 48,614 | 4.88 - 4.89 | 53,170 | 18,404 | 21,149 | 13,617 |
| <i>Derivative financial liabilities</i> | | | | | | | |
| <i>Foreign currency forward contracts (gross settled):</i> | | | | | | | |
| Outflow | 10 | - | - | 173,422 | 173,422 | - | - |
| Inflow | 10 | (5,254) | - | (178,676) | (178,676) | - | - |
| | | 914,120 | | 923,210 | 888,444 | 21,149 | 13,617 |
| 2013 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 15 | 123,571 | - | 123,571 | 123,571 | - | - |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 16 | 565,226 | 0.96 - 4.04 | 569,115 | 569,115 | - | - |
| Unsecured term loans | 16 | 56,118 | 4.55 - 4.60 | 61,283 | 30,115 | 12,696 | 18,472 |
| <i>Derivative financial liabilities</i> | | | | | | | |
| <i>Foreign currency forward contracts (gross settled):</i> | | | | | | | |
| Outflow | 10 | - | - | 102,451 | 102,451 | - | - |
| Inflow | 10 | (1,641) | - | (104,092) | (104,092) | - | - |
| | | 743,274 | | 752,328 | 721,160 | 12,696 | 18,472 |

22. Financial instruments (cont'd)

22.7 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 |
|---|------|------------------------------|-----------------------------------|-------------------------------------|---------------------------|--------------------------|--------------------------|
| 2014 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 15 | 172,579 | - | 172,579 | 172,579 | - | - |
| Unsecured bankers' acceptances/ | | | | | | | |
| Unsecured revolving credits | 16 | 347,678 | 0.95 - 4.43 | 350,465 | 350,465 | - | - |
| Unsecured term loans | 16 | 48,614 | 4.88 - 4.89 | 53,170 | 18,404 | 21,149 | 13,617 |
| <i>Derivative financial liabilities</i> | | | | | | | |
| Foreign currency forward contracts (gross settled): | | | | | | | |
| Outflow | 10 | - | - | 39,858 | 39,858 | - | - |
| Inflow | 10 | (67) | - | (39,925) | (39,925) | - | - |
| | | 568,804 | | 576,147 | 541,381 | 21,149 | 13,617 |
| 2013 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 15 | 138,683 | - | 138,683 | 138,683 | - | - |
| Unsecured bankers' acceptances/ | | | | | | | |
| Unsecured revolving credits | 16 | 257,286 | 1.07 - 4.04 | 259,656 | 259,656 | - | - |
| Unsecured term loans | 16 | 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 |

Notes to the Financial Statements (cont'd)

22. Financial instruments (cont'd)

22.8 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.

Fair value of long term loan not carried at fair value approximates its carrying amount. Its fair value is estimated using discounted cash flows with a discount rate based on current market rate of borrowings.

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

22.8.1 Fair value hierarchy

| | Level 1 RM'000 | Level 2 RM'000 | Total RM'000 |
|------------------------------------|-------------------|-------------------|-----------------|
| Group | | | |
| 2014 | | | |
| Financial assets | | | |
| Foreign currency forward contracts | - | 5,254 | 5,254 |
| Future and option contracts | 747 | - | 747 |
| | 747 | 5,254 | 6,001 |
| 2013 | | | |
| Financial assets | | | |
| Foreign currency forward contracts | - | 1,641 | 1,641 |
| Future and option contracts | 308 | - | 308 |
| | 308 | 1,641 | 1,949 |
| Company | | | |
| 2014 | | | |
| Financial asset | | | |
| Foreign currency forward contracts | - | 67 | 67 |
| Financial liability | | | |
| Future and option contracts | 673 | - | 673 |
| 2013 | | | |
| Financial asset | | | |
| Foreign currency forward contracts | - | 497 | 497 |

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either directions).

23. 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 2014 and 31 December 2013 were as follows:

| | Group | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Total borrowings (Note 16) | 799,796 | 621,344 |
| Less: Cash and cash equivalents (Note 13) | (346,354) | (307,261) |
| Net debt | 453,442 | 314,083 |
| Total equity | 802,857 | 732,850 |
| Debt-to-equity ratio | 0.6 | 0.4 |

24. Capital and other commitments

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Property, plant and equipment | | | | |
| Authorised but not contracted for | 451,029 | 61,455 | - | - |
| Contracted but not provided for | 55,752 | 58,883 | 18,780 | 40,183 |
| Investment in a joint venture | | | | |
| Authorised but not contracted for | 15,280 | 14,314 | 15,280 | 14,314 |

Notes to the Financial Statements (cont'd)

25. Contingent liability

The Company has provided a proportionate corporate guarantee of USD10.5 million to a financial institution for financing facilities granted to its joint venture corporation, PT Bungasari Flour Mills Indonesia.

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control 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 15.

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| A. Subsidiaries | | | | |
| Sales of goods | - | - | 26,233 | 33,699 |
| Rental of premises | - | - | 81 | 921 |
| Rental of furniture and fittings | - | - | 147 | 147 |
| Rental of equipment | - | - | 2,853 | 1,478 |
| Rental of motor vehicles | - | - | 33 | 33 |
| Interest income | - | - | 10,437 | 9,054 |
| Interest expense | - | - | (4,569) | (4,902) |

26. Related parties (cont'd)

Significant related party transactions (cont'd)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| B. Key management personnel | | | | |
| - Fees | 810 | 900 | 810 | 900 |
| - Remuneration | 4,659 | 4,608 | 4,427 | 4,193 |
| - Other short-term employee benefits (including estimated monetary value of benefits-in-kind) | 173 | 206 | 173 | 206 |
| Total short-term employee benefits | 5,642 | 5,714 | 5,410 | 5,299 |

Notes to the Financial Statements (cont'd)

27. 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 | |
|--|----------------|-------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | 377,401 | 254,206 | 238,397 | 172,521 |
| - unrealised | 13,663 | 7,170 | 3,350 | 1,680 |
| Add: Consolidation adjustments | 391,064 992 | 261,376 79,049 | 241,747 - | 174,201 - |
| Total retained earnings | 392,056 | 340,425 | 241,747 | 174,201 |

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 56 to 125 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 2014 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 27 on page 126 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
26 March 2015

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 56 to 126 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 26 March 2015.

Koh Yong Kun

Before me:

Shafie B. Daud (W350)
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 2014 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 56 to 125.

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 2014 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 27 on page 126 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

Muhammad Azman bin Che Ani

Approval Number: 2922/04/16 (J)
Chartered Accountant

Petaling Jaya
26 March 2015

Analysis of Shareholdings

As at 31 March 2015

Authorised Capital - RM500,000,000.00
 Issued and fully paid - RM269,114,040.00
 Class of shares - 538,228,080 Ordinary shares of RM0.50 each

11,078 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 | 1,371 | 12.38 | 13,970 | 0.00 |
| 100 to 1,000 | 942 | 8.50 | 668,589 | 0.12 |
| 1,001 - 10,000 | 5,793 | 52.29 | 29,775,020 | 5.53 |
| 10,001 - 100,000 | 2,686 | 24.25 | 78,609,019 | 14.61 |
| 100,001 to less than 5% of issued shares | 281 | 2.54 | 260,859,599 | 48.47 |
| 5% and above of issued shares | 5 | 0.04 | 168,301,883 | 31.27 |
| | 11,078 | 100.00 | 538,228,080 | 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 | 15,202,000 | 2.82 |
| 10. Amble Volume Sdn Bhd | 13,710,000 | 2.55 |
| 11. Teh Wee Chye | 12,500,000 | 2.32 |
| 12. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub) | 11,221,925 | 2.08 |
| 13. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd) | 11,168,645 | 2.08 |
| 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 31 March 2015

| 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. Solid Esteem Sdn Bhd | 4,320,000 | 0.80 |
| 18. Teh Li Choo | 3,359,310 | 0.62 |
| 19. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund) | 3,117,950 | 0.58 |
| 20. Amanahraya Trustees Berhad (Public Islamic Sector Select Fund) | 3,052,100 | 0.57 |
| 21. Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board) | 3,000,000 | 0.56 |
| 22. Tan Sri Dato' Seri Utama Arshad bin Ayub | 2,990,000 | 0.56 |
| 23. Amanahraya Trustees Berhad (Public Islamic Treasures Growth Fund) | 2,937,200 | 0.55 |
| 24. Lim Kooi Wah | 2,900,000 | 0.54 |
| 25. Yeoh Phek Leng | 2,580,000 | 0.48 |
| 26. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Min) | 2,445,199 | 0.45 |
| 27. Allison Foo May Ling | 2,000,000 | 0.37 |
| 28. Dato' Hj Shaharuddin bin Hj Haron | 2,000,000 | 0.37 |
| 29. CIMSEC Nominees (Asing) Sdn Bhd (CIMB Bank for Abdul Aziz bin Mohamed Hussain) | 1,874,600 | 0.35 |
| 30. Citigroup Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Small Cap Series) | 1,707,450 | 0.32 |

Substantial Shareholders

| Name | Direct Interest | | Indirect Interest | |
|--|-----------------|------|---------------------------|------|
| | No. of Shares | % | No. of Shares | % |
| Teh Wee Chye | 45,462,477 | 8.45 | 38,823,220 ⁽¹⁾ | 7.21 |
| Duangmanee Liewphairatana | 32,880,875 | 6.11 | 27,591,575 ⁽²⁾ | 5.13 |
| Teh Wee Kok | - | - | 27,591,575 ⁽³⁾ | 5.13 |
| Yong Kok Yian | 28,534,372 | 5.30 | 5,000,000 ⁽⁴⁾ | 0.93 |
| Thye Nam Loong Holdings Sdn Bhd | 26,916,410 | 5.00 | 675,165 ⁽⁵⁾ | 0.13 |
| Tan Sri Dato' Seri Utama Arshad bin Ayub | 24,211,925 | 4.50 | 15,202,000 ⁽⁶⁾ | 2.82 |

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 | 24,211,925 | 4.50 | 15,202,000 ⁽⁶⁾ | 2.82 |
| Teh Wee Chye | 45,462,477 | 8.45 | 38,823,220 ⁽¹⁾ | 7.21 |
| Dato' Hj Shaharuddin bin Hj Haron | 2,000,000 | 0.37 | - | - |
| Geh Cheng Hooi | - | - | 1,659,000 ⁽⁷⁾ | 0.31 |
| Quah Ban Lee | 1,175,000 | 0.22 | - | - |
| Datuk Oh Chong Peng | 5,150 | 0.00 | - | - |
| 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 | - | - | 15,202,000 ⁽⁸⁾ | 2.82 |

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 31 March 2015

Unexercised Warrants - 107,639,556
Exercise Price - RM2.06
Expiry Date - 9 May 2017

| Size of Holdings | No. of Warrant holders | % of Warrant holders | No. of Warrants | % of Warrants |
|-------------------------------------|---------------------------|-------------------------|--------------------|------------------|
| Less than 100 | 1,295 | 23.83 | 9,743 | 0.01 |
| 100 to 1,000 | 1,352 | 24.87 | 1,062,190 | 0.99 |
| 1,001 - 10,000 | 2,162 | 39.77 | 8,091,352 | 7.52 |
| 10,001 - 100,000 | 548 | 10.08 | 16,522,518 | 15.35 |
| 100,001 to less than 5% of Warrants | 74 | 1.36 | 47,863,363 | 44.46 |
| 5% and above of Warrants | 5 | 0.09 | 34,090,390 | 31.67 |
| | 5,436 | 100.00 | 107,639,556 | 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 Lane 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. Maybank Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chandra Muzaffar) | 1,567,800 | 1.46 |
| 17. Teh Li Choo | 1,057,342 | 0.98 |
| 18. Favourite Access Sdn Bhd | 1,000,000 | 0.93 |

| Thirty (30) Largest Warrant holders | No. of Warrants | Percentage Holding (%) |
|--|-----------------|------------------------|
| 19. Siew See San @ Siew See Onn | 916,150 | 0.85 |
| 20. Maybank Nominees (Tempatan) Sdn Bhd (Tan Kee Chuan) | 879,000 | 0.82 |
| 21. Solid Esteem Sdn Bhd | 864,000 | 0.80 |
| 22. Pauline Ding | 771,000 | 0.72 |
| 23. Ng Tiong Pung | 550,000 | 0.51 |
| 24. Yeoh Phek Leng | 501,000 | 0.47 |
| 25. Affin Hwang Nominees (Asing) Sdn Bhd (Phillip Securities Pte Ltd for Ng Yew Chuan) | 465,000 | 0.43 |
| 26. Kuan Sing Tee @ Kuang Sing Tee | 461,000 | 0.43 |
| 27. Allison Foo May Ling | 405,400 | 0.38 |
| 28. Chng Kim Chye | 405,400 | 0.38 |
| 29. Dato' Hj Shaharuddin bin Hj Haron | 400,000 | 0.37 |
| 30. Su Ming Keat | 364,900 | 0.34 |

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 ⁽¹⁾ | 2.46 |
| Teh Wee Chye | 9,210,559 | 8.56 | 7,765,044 ⁽²⁾ | 7.21 |
| Dato' Hj Shaharuddin bin Hj Haron | 400,000 | 0.37 | - | - |
| Geh Cheng Hooi | - | - | 311,000 ⁽³⁾ | 0.29 |
| Quah Ban Lee | 235,000 | 0.22 | - | - |
| Datuk Oh Chong Peng | 1,050 | 0.00 | - | - |
| 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 ⁽⁴⁾ | 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 31-12-14 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 | 54 | 9 Sept 1996 | 3,252,000 |
| Freehold land with residential building GRN 29231 Lot 449 Section 67 District of Kuala Lumpur Federal Territory Total: 1.00 acre | Commercial land and building | 75 | 4 Dec 1996 | 1,594,000 |
| 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 | 33-48 | 6 Oct 1998 | 99,433,000 |
| Freehold land with shop houses Grant No. 36370, Lot No. 12256 Mukim of Pulai District of Johor Bahru Johor Darul Takzim Total: 0.04 acre | Shoplot | 35 | 1991 | 148,000 |
| 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 | 22 | 3 Feb 1995 | 56,877,000 |

| Description, Location & Size | Existing Use | Approximate Age of Building (Year) | Date/Year of last Revaluation/ Acquisition | Net Book Value At 31-12-14 RM |
|---|--------------------|------------------------------------|--|-------------------------------|
| Leasehold land with building HSD 34668 PTD 6411 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Melaka Darul Azim Total: 0.13 acre | Shoplot | 17 | 1997 | 407,000 |
| Freehold land with building HS(D) 212786 PTB 18284 Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim Total: 0.13 acre | Factory | 15 | 1999 | 507,000 |
| 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 | 3 | 2011 | 2,916,000 |
| 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 | 25 | 13 Mar 1995 | 10,658,000 |
| Leasehold land with building PN 108306, Lot 6478 (expiring on 3-11-2093) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 16.1 acres | Office and factory | 24 | 10 Mar 1995 | 4,549,000 |
| Freehold land with house GRN 160946 Lot 45520 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acre | Residential house | 23 | 1990 | 38,000 |

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 31-12-14 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 | 22 | 1992 | 47,319,000 |
| 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 | 17 | 1994 | 11,118,000 |
| 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 | 18 | 2000 | 6,542,000 |
| 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 | 12 | 2000 | 14,544,000 |

| Description, Location & Size | Existing Use | Approximate Age of Building (Year) | Date/Year of last Revaluation/ Acquisition | Net Book Value At 31-12-14 RM |
|--|--------------|------------------------------------|--|-------------------------------|
| Leasehold land with farm buildings HS(D) 3/74, PT29 HS (D) 4/74, PT 30 (expiring on 7-5-2034) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 25.81 acres | Breeder Farm | 4 | 2010 | 2,112,000 |
| 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 | 3 | 2011 | 8,082,000 |
| 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 | 3 | 2011 | 31,079,000 |
| 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 | 6,061,000 |
| 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 | 7,917,000 |

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 31-12-14 RM |
|---|--------------|------------------------------------|--|-------------------------------|
| Leasehold land HS(M) 42038 PT65617 (expiring on 7-12-2110) Mukim of Kapar District of Klang Selangor Darul Ehsan Total: 10.83 acres | Vacant land | - | 2014 | 15,616,000 |
| Freehold land with farm buildings GRN 65374 Lot 3160 GRN 61255 Lot 3163 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 21.67 acres | Broiler Farm | - | 2014 | 3,400,000 |
| Freehold land with farm buildings Geran No. 364, Lot 1029 Geran No. 413, Lot 272 Geran No. 435, Lot 969 Geran No. 659, Lot 965 Geran No. 785, Lot 968 Geran No. 980, Lot 971 Geran No. 981, Lot 972 Geran No. 982, Lot 973 Geran No. 983, Lot 974 Geran No. 984, Lot 975 Geran No. 985, Lot 976 Geran No. 986, Lot 966 Geran No. 987, Lot 967 Geran No. 988, Lot 980 Geran No. 989, Lot 981 Geran No. 993, Lot 274 Geran No. 994, Lot 275 Geran No. 996, Lot 278 Geran No. 997, Lot 279 Geran No. 1001, Lot 1046 Geran No. 1003, Lot 970 Geran No. 2385, Lot 977 Geran No. 2388, Lot 1301 Geran No. 2390, Lot 1300 Geran No. 2444, Lot 978 | Breeder Farm | - | 2014 | 9,181,000 |

| Description, Location & Size | Existing Use | Approximate Age of Building (Year) | Date/Year of last Revaluation/ Acquisition | Net Book Value At 31-12-14 RM |
|------------------------------|--------------|------------------------------------|--|-------------------------------|
| Geran No. 2445, Lot 979 | | | | |
| Geran No. 2464, Lot 1033 | | | | |
| Geran No. 2915, Lot 1034 | | | | |
| Geran No. 2925, Lot 1035 | | | | |
| Geran No. 1092, Lot 964 | | | | |
| Geran No. 365, Lot 1030 | | | | |
| Geran No. 373, Lot 1036 | | | | |
| Geran No. 392, Lot 1031 | | | | |
| Geran No. 594, Lot 1032 | | | | |
| Geran No. 753, Lot 276 | | | | |
| Geran No. 976, Lot 1037 | | | | |
| Geran No. 992, Lot 273 | | | | |
| Geran No. 995, Lot 277 | | | | |
| Geran No. 998, Lot 281 | | | | |
| Geran No. 1002, Lot 1305 | | | | |
| Geran No. 1138, Lot 1304 | | | | |
| Geran No. 2383, Lot 280 | | | | |
| Geran No. 2386, Lot 1302 | | | | |
| Geran No. 2387, Lot 1303 | | | | |
| Mukim of Beriah | | | | |
| District of Kerian | | | | |
| Perak Darul Ridzuan | | | | |
| Total: 102.93 acres | | | | |
| Freehold land with building | Broiler Farm | - | 2014 | 878,000 |
| Geran No. 2935 Lot 102 | | | | |
| Geran No. 2949, Lot 101 | | | | |
| Mukim of Pengkalan Baharu | | | | |
| District of Manjung | | | | |
| Perak Darul Ridzuan | | | | |
| Total: 2.54 acres | | | | |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 May 2015 at 10.00 a.m. for the following purposes:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. [Please refer to note (1)]
2. To re-elect Dato' Wira Zainal Abidin bin Mahamad Zain 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 Prakash A/L K.V.P Menon who retires in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 2)**
4. To consider and if thought fit, pass the following motions:-
 - (a) "That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri 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"; **(Resolution 4)**
 - (c) "That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Hj Shahrudin bin Hj Haron be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 5)**
 - (d) "That pursuant to Section 129(6) of the Companies Act, 1965, Datuk Oh Chong Peng be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 6)**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. As Special Business:-

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

6.1 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.”

6.2 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad

“**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”) and its subsidiary companies (“Malayan Flour Mills Group”) 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 28 April 2015 for the purposes of Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities, 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."

6.3 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;

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.”

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

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
28 April 2015

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 55th 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 office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed 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 55th 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 **13 May 2015**. 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-Fourth AGM of the Company held on 14 May 2014.

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 Malayan Flour Mills Group to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad for the purposes of Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities. 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

1. Particulars of Directors Standing for Re-Appointment

(a) Tan Sri Dato' Seri Utama Arshad bin Ayub

(Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub, aged 86, 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 4.50% in the Company which represents 24,211,925 ordinary shares and an indirect interest of 2.82% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 15,202,000 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.

(b) Mr Geh Cheng Hooi

(Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 80, 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 0.31% in the Company by virtue of his directorship and shareholding in Emmel Sdn Bhd which holds 1,559,000 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

(c) Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 76, 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.

(d) Datuk Oh Chong Peng

(Independent Non-Executive Director)

Datuk Oh Chong Peng, aged 70, 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. He 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 a direct shareholding of 5,150 ordinary shares in the Company.

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

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

The renewal of this general mandate 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-Fourth AGM of the Company held on 14 May 2014.

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.

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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-Fifth Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 May 2015 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 Dato' Wira Zainal Abidin bin Mahamad Zain under Article 111 of the Company's Articles of Association | | |
| 2. | Re-election of Mr Prakash A/L K.V.P Menon 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. | d. Datuk Oh Chong Peng | | |
| 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 _____, 2015

Signature/Common Seal of Shareholder

Notes:-

- A member entitled to attend, speak and vote at the 55th 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 office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed 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 55th 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 13 May 2015. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.



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AFFIX
STAMP
HERE

Share Registrar
SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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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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