

GO BEYOND SUSTAINABILITY

Achieving greater heights in our drive
to manage Sustainability.

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MANAGING DIRECTOR'S MESSAGE

"In MFM, sustainability means being aligned towards the future and being successful over the long term. We seek to create value added supply chain activities in the spirit of Global Reporting Initiatives (GRI)."

TEH WEE CHYE
Managing Director

Dear Stakeholders,

As one of the market leaders in food manufacturing industry, MFM Group seeks to achieve its strategic business goals, whilst complying with all applicable laws and regulations. MFM Group aims to accomplish the high standards of environmental and social matters while leading the business as an all-inclusive provider.

Our approach to sustainability keeps evolving, guided by what is crucial to our stakeholders. For this report, we embraced a structured Materiality Assessment (MA) approach that supports us to determine the impact of sustainability matters upon our various stakeholders. We engaged with our Senior Management to identify and assess the Materiality Sustainability Matters with regard to our Group.

In the following pages, we will be reporting our sustainability initiatives in 2017 concentrating on the impact upon our community, environment, business and people.

COMMUNITY

Within the community, we endeavour to deliver positive and sustainable change to the lives of the underprivileged, focusing on bridging the education gap while encouraging volunteerism value among our people. Community responsibility is well integrated into our Group.

We have facilitated the Strategic Partnership between Universiti Putra Malaysia (UPM) and University of Arkansas (UARK), USA which resulted in the signing of a Memorandum of Agreement (MOA). MFM provides scholarship for selected students to spend one year at UARK. MFM also collaborates with UPM in research and development projects in relation to poultry integration.



Strategic Partnership between UPM and UARK

Furthermore, we have been instrumental in enabling the Strategic Partnership between University of Malaya (UM) and Kansas State University (KSU), USA in providing Bachelor's Degree in Milling Science & Technology, Feed Science & Technology and joint research project between UM and KSU in grain quality management and storage.



Strategic Partnership between UM and KSU

ENVIRONMENT

In MFM, we are committed to reduce our environmental footprint by fostering water conservation, reducing emission and having livestock waste management.

In 2017, the average energy consumption of our poultry integration achieved an energy saving of 3.46% per MT. Our Group continues to address energy efficiency solutions such as the replacement and upgrading of lighting system from Metal-halide lamp to Light Emitting Diode (LED) and switching off power when they are not needed.

MFM had focused on livestock waste management as raw livestock waste may cause environmental greenhouse gas emission. In September 2017, we commissioned our RM2.4 million Composting Plant to convert raw chicken manure to organic fertiliser using fermentation technology with a processing capacity of 10 MT/day.

BUSINESS

In May 2017, MFM achieved a milestone as we joined the accolades of BrandLaureate BestBrands award winners for the "Most Valuable Brand" in 2016/2017 under the "Food Manufacturing" category.



BrandLaureate BestBrands "Most Valuable Brand" in 2016/2017 under the "Food Manufacturing" category.

In October 2017, we received an award for the "Most Improved Service From IR Team" from Malaysian Investor Relations Association (MIRA) as recognition for our efforts in Investor Relations (IR) practices.



"Most Improved Service From IR Team" Award by MIRA

PEOPLE

We believe that our people are our greatest assets. We treat each other with respect and work together as one big MFM family. Our working culture and values ensure that our people focuses on quality, unity and continuous improvements.

Significant resources have been committed by MFM Group on learning and growth programmes to equip our people in our drive to achieve our business objectives and strategies as well as our sustainability goals.

TEH WEE CHYE
Managing Director



OUR SUSTAINABILITY TASK FORCE



Malayan Flour Mills Berhad

In order to formalise our Group's Sustainability Framework, we have formed a Sustainability Task Force that will enable the Group to deliver sustainable value creation for all our stakeholders.

Our Sustainability Task Force is led by our Managing Director, Mr. Teh Wee Chye to ensure reliable decision-making process for our Group in achieving greater sustainability.

Sustainability risk management is integrated into our Group's risk assessment and is spear-headed by our Task Force which assesses the risk all year round and publishes the Sustainability Statement annually.

Our Sustainability Team

TOP MANAGEMENT

Our Managing Director chairs the Sustainability Task Force and is involved in reviewing sustainability strategies.

BUSINESS UNITS

Our business units implement and manage sustainability initiatives.

TASK FORCE

Our Task Force comprised of the Group Internal Audit & Risk Management team who is responsible for driving sustainability reporting initiatives.



Embracing Sustainability in Our Group

VISION

To build a sustainable business and continuously add value to all stakeholders.

SCOPE

Our employees are responsible to embrace and INTEGRATE SUSTAINABILITY PRACTICES in the Group.

OBJECTIVE

This Sustainability Policy aims to integrate a concept of sustainable development into the organisation's activities to establish and promote sound practices.

SUSTAINABILITY POLICY GOVERNANCE

PDCA (plan-do-check-act) is a repetitive four-stage model for continuous improvement in business process management.

The well-known Plan-Do-Check-Act Cycle is incorporated into our sustainability initiative so as to continuously review policy and to take action for improvement.

This policy will be reviewed periodically to ensure best practices by the Sustainability Task Force.

➤ Our Group makes every effort to deliver sustainable solutions throughout our business operation.

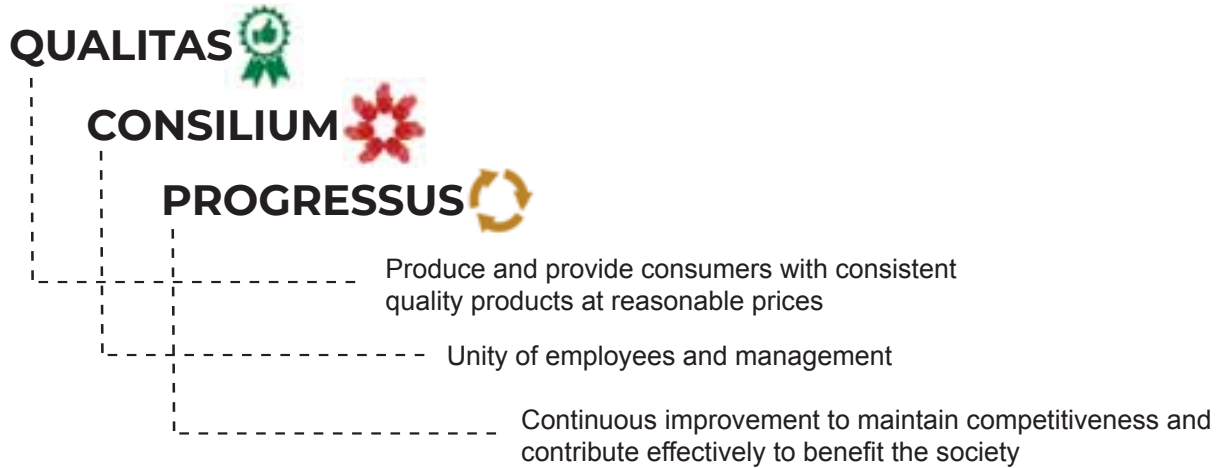
In embracing good sustainability practices, MFM Group focuses on managing its social and environmental impact and seeks to improve operational efficiency and natural resources stewardship.

As wheat-related and poultry products would always remain as an essential part of food consumption worldwide, MFM is dedicated in constantly creating added value not only to shareholders but for society as a whole. Moving forward, MFM is committed to managing Economic, Environmental, Social (EES) and Governance matters, guided by MFM's Code of Conduct and related Policies, Standards & Guidelines.

Our Group has identified and prioritised key issues related to EES and Governance for both Flour Division and Poultry Division as follows:

			
<p>To have good STRATEGIC MANAGEMENT & wisely utilise our FINANCIAL RESOURCES</p>	<p>To comply with the regulatory requirements & standards in relation to ENVIRONMENTAL CONCERNS</p>	<p>To provide our customers with SAFE PRODUCTS that adhere to Government's legislation & requirements</p>	<p>To abide by the REQUIREMENTS OF ALL LAWS & industry's best practice</p>
<p>To advance SUSTAINABLE PROFITABLE GROWTH whilst satisfying our ethical, legal & contractual obligations</p>	<p>To RAISE AWARENESS among our employees & the whole supply chain in order to act in an ENVIRONMENTALLY-RESPONSIBLE MANNER</p>	<p>To EMPOWER OUR EMPLOYEES by offering training, motivation, career advancement & SUPPORT DIVERSITY in workforce</p>	<p>To adopt good ETHICAL PRACTICES through our CODE OF CONDUCT</p>
<p>To help our community SURVIVE & PROSPER economically</p>	<p>To integrate ENVIRONMENTAL MATTERS into our business decisions</p>	<p>To provide a SAFE & HEALTHY WORKPLACE & take care of employees' well-being</p>	<p>To ensure an APPROPRIATE GOVERNANCE SYSTEM is in place to reverse the strategic development & performance that relates to the maintenance of a SUSTAINABLE BUSINESS</p>
<p>To provide ample JOB OPPORTUNITIES & JOB SECURITY</p>	<p>To ensure that ENERGY & WATER are UTILISED EFFICIENTLY & consumption is being monitored</p> <p>To RECYCLE, REDUCE or REUSE the waste or resources where practicable</p> <p>To reduce CARBON FOOTPRINT through ENERGY EFFICIENCY & CONSERVATION PRACTICES</p>	<p>To encourage OPEN COMMUNICATION, IDEAS & INNOVATION</p> <p>To engage actively with CIVIC PROJECTS, CHARITY EVENTS & the local communities through our corporate social initiatives</p>	<p>To ensure PROPER RISK MANAGEMENT & INTERNAL CONTROL SYSTEM are in place</p>

To acknowledge key issues under EES and Governance, MFM upholds its philosophy in terms of “QUALITAS” which represents quality of its production and service, “CONSILIUM” that represents unity of staff and management and the pursuit of “PROGRESSUS” which represents progress in various aspects.



The approach to tackle challenges linked to establishing solid sustainability practices is by having approved Statement on Corporate Governance, Terms of Reference of Board Committees, Board Charter, Whistle Blowing Policy and Code of Conduct which are made readily available to stakeholders via our Company’s website (i.e. <http://www.mfm.com.my/>). The Code of Conduct serves to ensure that all employees carry out their duties with utmost integrity.

Apart from that, MFM has ventured into developing sustainable waste management system for Poultry Division by setting up a Composting Plant to convert chicken manure into dry organic fertiliser.



Scope & Boundary of our Statement

This Sustainability Statement represents MFM's inaugural efforts in disclosure of sustainability initiatives from 1 January 2017 to 31 December 2017. The facts and figures published within the Sustainability Statement are in accordance with Reporting Principle and Guidance for Defining Content in the GRI-G4 Sustainability Reporting framework as per Bursa Malaysia Securities Berhad (Bursa Malaysia) Main Market Listing Requirements.

Henceforth, our Group would progressively disclose related information required by Bursa Malaysia for the Sustainability Reporting of our Group.

For the inaugural year, our Group only disclosed the material matters relating to the Flour and Poultry businesses carried out by MFM and its active subsidiaries in Malaysia and Vietnam as follows:



MALAYAN FLOUR
MILLS BERHAD
(MFM)

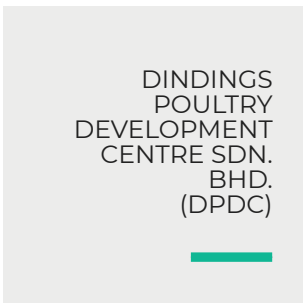
VIMAFLOUR LTD

MEKONG FLOUR
MILLS LTD



MFM FEEDMILL
SDN. BHD.
(MFMF)

DINDINGS SOYA &
MULTIFEEDS SDN.
BERHAD
(DSM)



DINDINGS
POULTRY
DEVELOPMENT
CENTRE SDN.
BHD.
(DPDC)



DINDINGS
POULTRY
PROCESSING
SDN. BHD.
(DPP)



Key Stakeholders & Engagement Involved

Our Group has continually engaged each stakeholder to address their concerns.

We have summarised our engagement platforms with the various stakeholders and the related outcomes from each engagement.



SHAREHOLDERS

Engagement through AGM, Quarterly Reports, Annual Reports, Shareholders' Circulars, Announcements, Analyst Briefings & Corporate Website.

Their concerns are financial performance and returns, going concern and positive investment growth.



HUMAN CAPITAL

Engagement through Town hall meetings, Employee Portal, Learning & Development programmes and Corporate events.

Their concerns are career development, work life balance and employee welfare.



MEDIA

Engagement through media briefings, events, press conferences and internet.

Their concerns are Group's performance and updates.



CUSTOMERS

Engagement through service satisfaction, customer appreciation and social media platforms.

Their concerns are quality of product, market availability, product prices and values.



SUPPLIERS & SERVICE PROVIDERS

Engagement through compliance with ISO Standards, suppliers' evaluation (audit) and quotation from suppliers.

Their concerns are payment and up-to-date information about the Group.



GOVERNMENT & REGULATORS

Engagement with relevant Authorities.

Their concerns are tax issues, pricing issues, labour practices, health issues, transparency and accountability.



COMMUNITY & NGOs

Engagement through internship programmes, charity events and volunteer programmes.

Their concerns are community living, care and development.



COMPETITORS

Industry competition and market forces.

Their concerns are price competition, new business opportunity, innovation and creativity.

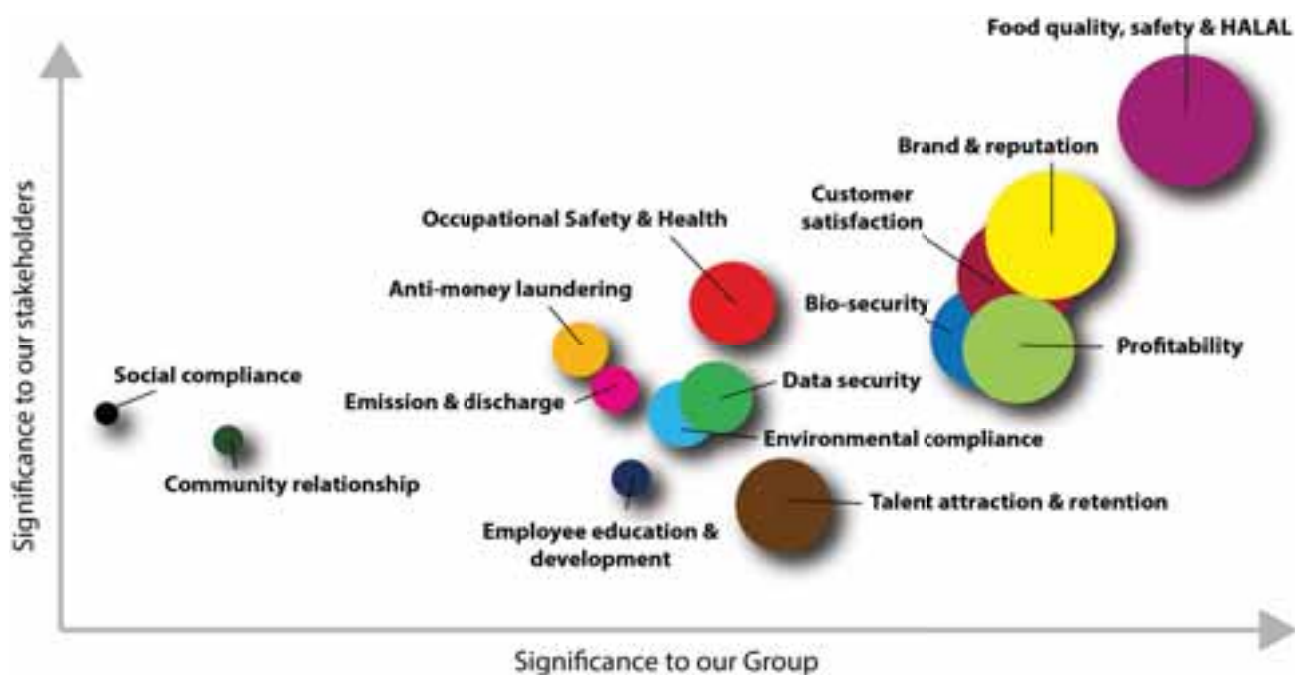


Our Material Matters

In 2017, the Group embraced a structured Materiality Assessment approach guided by the Sustainability Reporting Guide and Toolkit in identifying and prioritising potential Economic, Environmental and Social risks and opportunities which may affect the Group's business and stakeholders.

The Materiality Assessment was conducted through a workshop involving our senior management.

Materiality Assessment



Sustaining our response to climate change

Conserving energy is not just about saving on electricity costs. As one of the market leaders in flour manufacturing and poultry industry, minimising energy consumption is one of the top priorities in our effort to conserve energy in order to reduce carbon footprint.



**Flour Milling Energy Usage
(Malaysia & Vietnam operations)**

Energy consumption of our flour mills has increased marginally by 0.55 kWh/MT from 77.08 kWh/MT in 2016 to 77.63 kWh/MT in 2017 due to certain upgrading works being carried out for plant improvement.



Poultry Integration Energy Usage

The energy usage of our poultry integration has achieved energy saving of 3.46% from 624.63 kWh/MT in 2016 to 603.03 kWh/MT in 2017.

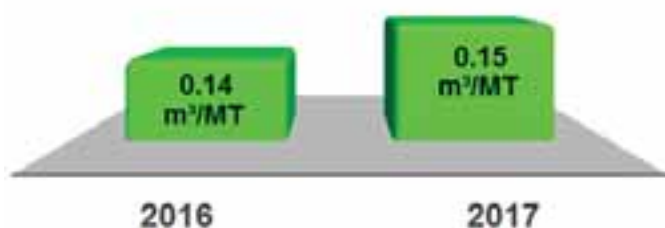
Water Consumption



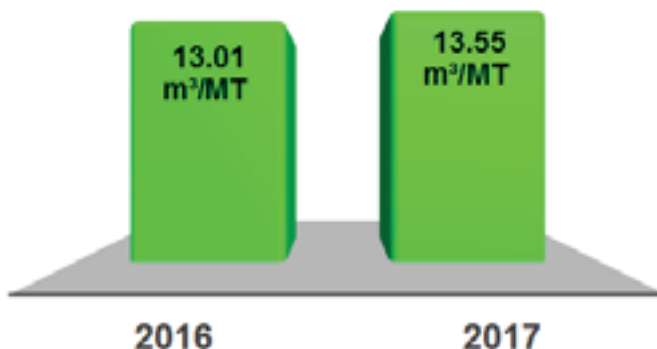
Water management and conservation has been a key area of concern.

Water consumption in our flour mills has increased marginally due to certain upgrading works to improve the plant facilities during the year. Similarly, the water consumption in our poultry integration has increased marginally which was attributed to additional farm houses.

In our poultry processing business, a new rain water harvesting system has been incorporated as part of our newly-designed processing plant.



**Flour Milling Water Usage
(Malaysia & Vietnam operations)**



Poultry Integration Water Usage



Emission & Discharge

Our Group strives to secure effective, sustainable and ecologically sound waste management for many years to come.

Dust Aspiration Management

Generally, in flour and feed mills, there is a tendency for dust accumulation which may lead to potential risk of dust explosion and air pollution if it is not properly handled. Our flour and feed mills comply with the Malaysia Standard MS1596:2003 of Regulation 4(2) Environmental Quality (Clean Air) Regulations 2014, Standard C Limit of 0.400 g/Nm³ for control of air pollution and gaseous emissions issued by Department of Environment, Malaysia.

Waste Management

Waste management plays an important role in protecting the environment and human health. It can help to conserve the beauty of our planet that can be damaged by improper waste disposal. Our Group has established standard operation procedures (SOP) for waste disposal i.e. scrap waste, hazardous chemical waste and others. Further, our Group has implemented a number of training programmes on chemical waste management and disposal procedures including "Safe Chemical Handling" for the workers.

Waste oil and hazardous chemical can cause extensive damage to environment and pose substantial hazards to the lives of animals, plants and humans. Our Group manages waste oil and hazardous chemical disposal properly in accordance with the Environmental Quality Act 1974.

Furthermore, our Group practises recycling activities for certain waste with recycle value (i.e. plastic drum, metal drum, unused wooden pallet and etc.) as part of our efforts to conserve natural resources.



Sustainable Livestock Waste Management towards Green Environment

Composting Plant



To combat pollution from the discharge of untreated livestock waste, we invested

RM2.4 million

in a manure fermentation technological plant which was commissioned in

3rd Quarter of 2017

Direct application of chicken manure into plantation soil may cause environmental emission such as foul odour and encourage breeding platform for pests such as flies. Our new Composting Plant will convert chicken manure into

Organic Fertiliser

through an effective fermentation process with

10 tonnes

processing capacity per day.

Our Composting Plant has an odour filtration system which contains saw dust with carefully selected microorganism which reduces Ammonia emission level,

thus, complying with Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000.

Our Composting Plant which is located in Segari, Perak





Food Quality & Safety

As a food producer, quality and safety of production is vital. Our Group ensures that the highest standards of production processes are implemented.

FLOUR MILLING

Production of wheat flour by our flour mills are assessed by external governing bodies from time-to-time to ensure supplies of safe quality food to consumers. These assessments contribute in enhancing the responsibility and accountability of MFM to produce safe quality food. Certifications affirm that food safety systems are in place in our flour mills. Other than that, products of our flour mills are certified by JAKIM (Department of Islamic Development Malaysia) as HALAL. This provides assurance that products produced comply with the Islamic dietary requirements. In 2017, our flour mills did not receive any notice or penalty from authorities. Below are the accreditations which MFM has attained:

- ✓ Hazard Analysis and Critical Control Points (HACCP)
- ✓ FSSC 22000:2005
- ✓ MeSTI
- ✓ SIRIM
- ✓ HALAL (certified by JAKIM)





POULTRY INTEGRATION

Feed Milling

Our feed mills manufacture high quality feeds and were accredited with Hazard Analysis and Critical Control Points (HACCP). Additionally, our aqua feed mill has been awarded with Fish Quality Certificate by the Department of Fisheries Malaysia certifying that our aqua feed mill complies with the European Union requirement as stated under Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009.

These accreditations are an affirmation that our feed mills applied all required principles of food hygiene in the process of manufacturing feed for broilers, breeders and aquatic animals to achieve the final goal of ensuring the final products i.e. broiler meat and fish meat are safe for human consumption. Due to our efforts in complying with regulations in 2017, our feed mills did not receive any notice or penalty from authorities.

Poultry Farming

Quality broilers are supplied by our own poultry farms to our poultry processing plant as well as the live bird open market. Our poultry farms have fulfilled the requirements by Department of Veterinary Services and Malaysian Good Agricultural Practices for livestock and have been accredited with MyGAP Certificate from the Ministry of Agriculture and Agro-based Industry.

To maintain excellent hatching eggs (HE) quality, different samples such as viscera and nest swab in chicken houses are collected from birds of various age and sent to an outsourced testing laboratory accredited with MS ISO/IEC17025 & ILAC-MRA. The hygiene of HE would be maintained by a fumigation process right after collection from each farm house. Fumigation process is conducted to prevent microbial contamination which results in poor hatchability and chick performance. Furthermore, samples of drinking water provided to our chicken would be sent to an external testing laboratory accredited with Skim Akreditasi Makmal Malaysia (SAMM) to ensure our water quality complies with the governing standards. In 2017, our poultry farms did not receive any notice or penalty from authorities.

Poultry Processing

Certifications are essential to our poultry processing business as they provide assurance that our products are safe for human consumption. Our poultry processing plant has been accredited with Hazard Analysis and Critical Control Points (HACCP), Veterinary Health Mark (VHM), ISO 22000:2005, ISO 9001:2008, Good Manufacturing Practices (GMP) for Food and certified HALAL.



Authorities that regulate poultry processing products are the Department of Veterinary Services Malaysia, Department of Islamic Development Malaysia (Halal certifications), to name a few. Any form of non-compliance may result in penalties and interruption to production. In 2017, our poultry processing plant did not receive any notice or penalty from authorities.

FOOD QUALITY AND SAFETY TRAINING

We believe that awareness and improvement are essential to a successful deployment and training should be conducted strategically for all employees. At our flour mills, we organised extensive training for our employees on food quality and safety including Good Manufacturing Practices Module 1-3, Food Hygiene, Food Safety and GMP Awareness Training & FSSC 22000 (with ISO/TS 22002-1) Awareness Training.



At our feed mills and poultry processing plant, training is one of the crucial elements in maintaining quality and safety standards. In 2017, we provided food safety and health training for our employees in HACCP Awareness, Food Hygiene, Food Safety and GMP Awareness Course, Internal Auditor Training, ISO 9001:2015 Auditor Transition Training Course, Food Handler Training and Understanding & Implementation of HACCP (MS1480:2007).

Bio-security

Our poultry farm is thoroughly equipped with well-maintained bio-security facilities which allow our poultry farm to have minimal level of biological organisms (i.e. viruses, bacteria, rodents etc.) across our farm borders. Effective bio-security is the most efficient way of disease control and prevention available.

Our farms are staffed with qualified veterinarians on site who are responsible for monitoring flock health, diagnosis and treatment prescription.



MFM has invested RM 231 million as at 2017 in state-of-the-art Closed House System and Hatchery Facilities which incorporate good bio-security measures and practices.



Closed House System adopted by our Breeder & Broiler farms with state-of-the-art ventilation system consists of fan system, air inlets, evaporative cooling system, temperature control and thermostats.

By practising Closed House System, we are able to regulate chicken house temperature, reduce bird stress and have better control of bio-security which led to a reduction in bird mortality and better farm performance.

OUR BIO-SECURITY MEASURES

- Vehicle shower at the main entrance of the farm.
- All workers must shower and change into designated farm uniform before entering the farm.



- Boot-dip into disinfectant trough before entering farm houses.
- Fencing surrounding farm compound to prevent animals entering the farm.



- Ensure the cleanliness of the Incubation and Hatchery facilities.
- Disinfection of our Incubation facilities and Hatchery rooms with appropriate disinfectants.
- Washing of used egg trays and buggies with high pressured water and then sprayed with appropriate disinfectants.
- Baskets are washed using automatic washing machine and is washed with disinfectants.

Customer Relationship Management



Developing a healthy relationship with customers is crucial to understand customers' needs in order to improve our services and product quality. We deploy Customer Relationship Management System (CRM) to systematically manage feedbacks from our customers.



We aspire to provide a safe environment to all our employees by mitigating the risk of avoidable danger in the workplace. We care about the welfare of our employees and promote health, safety and well-being in our operations.

Safety & Health

S **AFETY OFFICER**

Our Safety & Health Officers are in place to conduct regular checks to ensure compliance with statutory regulations, procedures and practices. They investigate any safety & health incidents that happened in the workplace, conduct safety campaigns and provide individual counselling on safety & health related matters.

C **OMPLIANCE**

We comply with the Occupational Safety and Health Act (OSHA) 1994, Factories & Machinery Act 1967 and their regulations. Our poultry farm reinforced our commitment towards OSHA by developing a Occupational Safety & Health Administration Manual and implementing Hazard Identification, Risk Assessment and Risk Control (HIRARC).

Z **ERO PENALTY & FATALITY**

In 2017, we did not receive any penalties related to occupational safety and health from relevant authorities. There were no workplace fatality cases in our Group.

T **RAINING**

We place high priority on work related health issues and have put in place training programmes which includes Basic Occupational First Aid, Automated External Defibrillator (AED) and Cardiopulmonary Resuscitation (CPR) Training, Authorized Entrant and Standby Person (AESP), Safe Chemical Handling, Hazardous Identification Training, Fire Extinguisher Training, Ergonomic in Workplace Training, Hot Work Awareness, Working at Height Awareness, Machine Handling Awareness, Developing Effective Safety & Health Committee Training, Hand and Finger Injury Awareness Training, Noise Exposure Training to mitigate such hazards.

Our People

Our Group values workforce diversity as one of the key elements to achieve the Group's vision and mission. We have a diversified workforce which comprises of different gender, age group, ethnicity and cultural backgrounds to harness the multiple perspectives of the working population.

**1,225 Male Employees
(61%)**



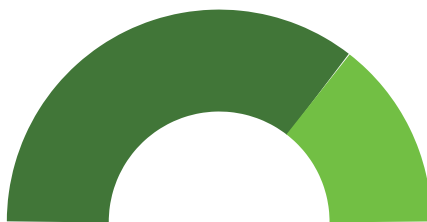
**789 Female Employees
(39%)**



**OUR PEOPLE BY GENDER PROFILE IN
MALAYSIA & VIETNAM
(2017)**

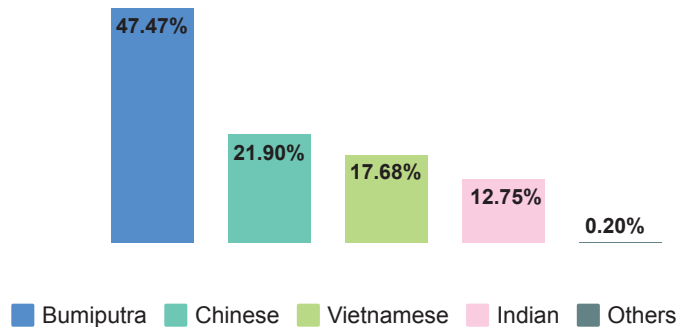
Note: Gender profile data excludes foreigners.

**OUR MANAGEMENT IN
MALAYSIA & VIETNAM
(2017)**



■ Male (71%) ■ Female (29%)

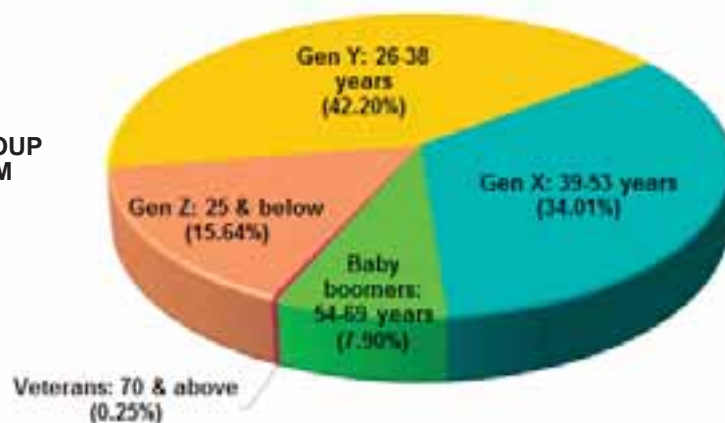
**OUR PEOPLE BY ETHNICITY IN
MALAYSIA & VIETNAM (2017)**



■ Bumiputra ■ Chinese ■ Vietnamese ■ Indian ■ Others

Note: Our people by ethnicity data excludes foreigners.

**OUR PEOPLE BY AGE GROUP
IN MALAYSIA & VIETNAM
(2017)**



Note: Our people by age group data excludes foreigners.

Talent Acquisition

Partnership and Engagement with Schools & Universities

MFM Group constantly establishes partnership and engages with schools and universities as part of the Group's commitment for corporate social responsibility to nurture talent at the education institutions level, building sustainable talent pipeline as well as employer's branding. MFM Group also actively participates in numerous major career fairs by providing rewarding career opportunities in the workplace. The details are as presented below:

Strategic Educational Partnership Agreement with SMK Methodist (ACS) Sitiawan and SMJK Nan Hwa

In providing students learning experience beyond the classroom, MFM signed a Strategic Educational Partnership agreement with SMK Methodist (ACS) Sitiawan and SMJK Nan Hwa. Among others, MFM organised a 2-week School Holiday Apprenticeship Programme in Flour Milling and Poultry Farming every year for the students. In terms of career exposure, MFM also provides opportunity for students to visit MFM farms & plants and conducts career talk for the students. In addition, MFM implements Students Adoption Programme to provide financial aid to 10 selected less privileged students annually and sponsors Excellent Awards in recognising students who excel in academic and co-curriculum activities.

School Holiday Apprenticeship Programme in Flour Milling & Poultry Farming

Students from both SMK Methodist (ACS) Sitiawan & SMJK Nan Hwa participated in the 3rd School Holiday Apprenticeship Programme this year. 10 students from SMK Methodist (ACS) Sitiawan joined the Flour Milling programme at MFM Lumut, while another 10 students from SMJK Nan Hwa joined the Poultry Farming programme at DPDC Batu Undan. By exposing the students to the daily operational systems and processes at the flour milling plant and farm operations in Hatchery and Breeder farm, it allowed them to gain real-life working experience and explore their career aspirations.



SMK Methodist (ACS) Sitiawan and SMJK Nan Hwa Award Day

MFM was present at SMK Methodist (ACS) Sitiawan & SMJK Nan Hwa Award Day on 8 April 2017 and 6 October 2017 respectively to congratulate and support the students at the schools. As part of MFM's effort to promote and support education amongst the young ones, MFM through its Students Adoption Programme provided financial aids to 10 students from the schools. In addition, MFM further encouraged and motivated the students at the school by awarding the Top 3 Best Students in Form Four and Form Five with cash prizes.



Montfort Boys Town Plant Tour

On 13 April 2017, MFM Lumut Plant hosted a group of 40 students and teachers from Montfort Boys Town, Selangor. The plant tour is to provide the students a real-life experience of the flour milling process and at the same time provide them exposure to the various career opportunities available in the plant. The students and teachers were given a safety briefing before proceeding to a comprehensive plant tour covering the Silo, Milling, Lab, Warehouse, Packaging and Engineering sections.

Talent Acquisition

Strategic Partnership between UM and KSU

Being an industrial player, MFM had been instrumental in enabling the Strategic Partnership between UM and KSU in providing Bachelor's Degree in Milling Science & Technology, Feed Science & Technology and joint research project between UM and KSU in grain quality management and storage.

Strategic Partnership between UPM and UARK

MFM also facilitated the Strategic Partnership between UPM and UARK in signing the MOA. One of the highlights of the MOA is 3+1 Bachelor of Agriculture (Animal Science) Programme, where selected UPM students will spend their final year in UARK, which includes taking elective courses, summer internship, conducting final year project and industrial attachment at big poultry companies in Arkansas. MFM will provide scholarships for selected students to spend one year at UARK. MFM also collaborates with UPM in research and development projects in relations to poultry integration.

UPM's 40th Convocation and Veterinarian Award Ceremony

MFM was present at the UPM's 40th Convocation and Veterinarian Award Ceremony on 4 November 2017. MFM continues to support education in the country by sponsoring awards to high-achieving students in the Veterinarian studies in UPM to further encourage and motivate them to do well. MFM believes that a strong foundation in education is critical to the development of the country, especially in the poultry industry.

Collaboration between MFM & Universiti Tunku Abdul Rahman (UTAR)

- High Level Career Talk

MFM worked very closely with the Engineering students from the UTAR Sg. Long Campus to organise a High Level Career Talk on 13 February 2017. MFM Senior Management team came out in full force to support the career talk and shared with more than a hundred Engineering students on the latest information and technology in the flour milling and poultry industry. MFM provided lunch and allowed the students the opportunity to network with the Senior Management team.



- Engineering & Science Fiesta 2017

MFM is proud to be the Platinum Sponsor to the UTAR Engineering & Science Fiesta 2017. In line with the company's objective to advance the country's education level and extend its support to promote Science, Technology, Engineering & Maths (STEM) in the country, MFM actively participated in the 4-day event covering a technology exhibition, career fair as well as a Corporate Social Responsibility activity to help clean the Sekinchan beachfront.

- Agriculture Technology Seminar

MFM also sponsored the UTAR Agriculture Technology Seminar Series 16: Livestock Farming & Sustainability. MFM was pleased to be able to play a part in gathering the industrial experts to share their knowledge and best practices during the seminar. MFM also had an exhibition booth to share the current practices at our own poultry farm to the students, academicians as well as the other industrial experts attending the seminar.



Talent Acquisition



Orientation Programme

Information on the Group's vision, mission and history, HR policies, overview of business operations within MFM Group was shared with new employees in the 2-day Orientation Programme. There were 93 new executive employees who had attended the Orientation Programme in year 2017.



Lumut & Sitiawan Plant Tour

Opportunities were given to the new employees to visit the flour mill in Lumut and poultry processing plant in Sitiawan. The main objective of this plant tour is to enable the new employees to have a better understanding of the production processes for flour and poultry products.

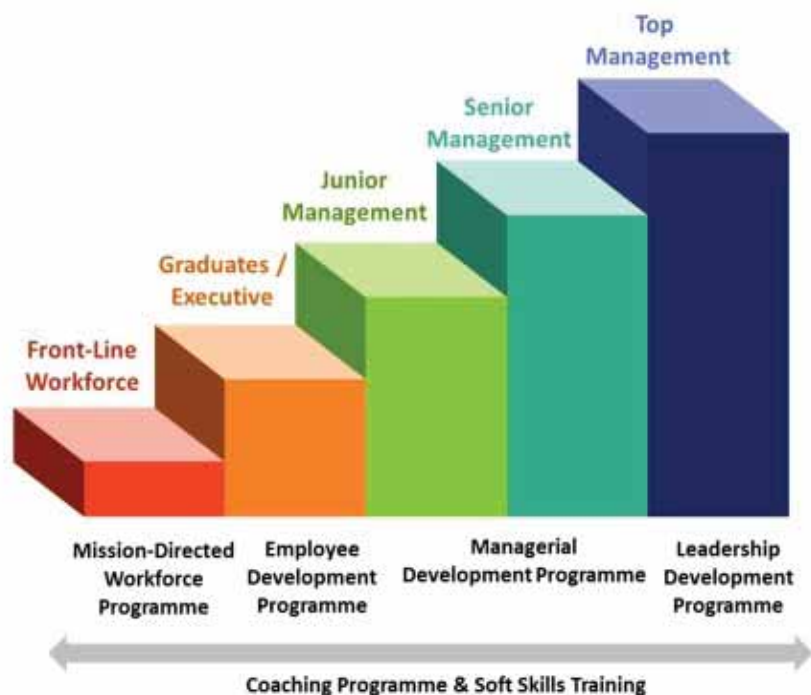
Breakfast Engagement Session with the Managing Director

Breakfast Engagement Session provides a platform to foster a culture of open two-way communication. New employees were given opportunity to share their thoughts with the Managing Director, Mr. Teh Wee Chye. Everyone was encouraged to share what they like about the Group, overall experience and suggestions for improvement during the session.

Functional and Leadership Development

To build an effective talent pool and develop employees' leadership capability, MFM Group has implemented a series of development programmes covering front-line workforce, fresh graduates/executives, junior management, senior management and top management, which include Mission-Directed Workforce Programme, Employee Development Programme, Managerial and Leadership Development Programme.

In addition, the Group embarked on a Coaching Programme since year 2015 to inculcate a coaching culture across the board. With a pool of coaches within the Group, the employees learn and grow through coaching. Soft-skills trainings are also conducted in-house for all levels of employees within the Group to enhance their job performance.



Functional and Leadership Development

Mission-Directed Workforce (MDW) Programme

MDW Programme is designed to equip front-line workforce with the skills to drive continuous improvement, waste elimination and the principles of LEAN throughout the organisation. We apply the following key strategies:

- Focus on simultaneous improvement of quality, speed and cost effectiveness.
- Establish close links with customers and suppliers throughout the value chain.
- Drive both linear, continuous improvement as well as non-linear breakthrough improvements in their workplace.
- Eliminate all forms of waste.
- Apply leadership practices that promote teamwork, continuous learning, engagement and flexibility.

The process is line-driven and provides supervisors and their teams with the tools and skills to implement these practices in areas identified to be of greatest business needs.

Mini business teams are established at the front-line whereby each team develops its own mission and measures of success. Goals for each mini business are defined in terms of Quality, Speed, Cost Effectiveness, Safety, and People to ensure alignment with the overall business strategy and goals.

A sense of ownership, engagement and accountability is driven to the front line where members take full responsibility for their business results and the improvement thereof, through the mini business concept.

Employee Development Programmes

In building a sustainable talent pipeline for the businesses within the Group, MFM has implemented the following Employee Development Programmes to provide a career path for the fresh graduates to groom them towards Management level by undergoing a robust learning & development programme:

- Production Engineer Development Programme (Flour)
- Production Engineer Development Programme (Feed)
- Product Consultant Development Programme (Flour)
- Technical Sales Executive Development Programme (Aquaculture)
- Commodity and Trade Analyst Development Programme



Managerial & Leadership Development Programme

Top management and identified talents throughout the MFM Group have embarked on a structured 3-year Managerial and Leadership Programme from year 2015 to 2017. The programme was designed to create a higher sense of personal leadership awareness, enable mindset shifts and strengthen the 4 pillars of leadership behaviours, i.e. trust, authenticity, commitment and responsibility.

Functional and Leadership Development

Coaching Programme

As part of our continuous employee development, MFM Group conducted a Coaching Programme for 40 employees in year 2017. Throughout the 6-month coaching journey, the coachees were coached in achieving their business goals, team goals and personal goals; while the coaches also benefited as they built their coaching capability internally. This is a very experiential journey where both coaches and coachees benefited by learning from each other, besides fostering closer relationship.



Soft Skills Training

Change for Greater Success

A total of 21 sessions were conducted benefitting a total of 455 employees since Change for Greater Success was first launched. This programme was designed to help employees to overcome change. A positive attitude leads to greater success. It enables people to focus on changing the way we see things and the way we deal with people and the way we interpret things. The Group believes in developing “Great Employees → Great Team → Great Organisation”. Monthly sharing of the principles was being conducted by members of the senior management team to inculcate an effective paradigm in the workplace and personal life.

Team Synergy

It is vital to recognise the importance of shared interdependence, cooperation, shared vision, open communication and creative ideas, in order to be in line with MFM Vision “To Be A Leading Food Manufacturing Enterprise In The Region”. The three most important factors to creating an effective team is “Diversity + Creativity + Focus = Team Synergy”. Through this programme, everyone will see teamwork as one of the most important aspects to success.



The Art of Negotiation Programme

The Art of Negotiation Programme enables all sales-related personnel to align in terms of communication with customers (both internal and external), understanding sales and its processes, body language and negotiation. This programme will provide skills to further develop sales approach and closing a negotiation successfully.

Employee Engagement & Retention

MFM Group believes unity of employees and management is essential to a successful enterprise, as expressed in one of the core values, i.e. Consilium. As part of the initiatives to foster employee engagement and retention, MFM organised a series of engagement sessions with employees, including annual town hall meeting, annual dinner, annual festive celebration, monthly and quarterly engagement with senior management team, breakfast engagement and comprehensive orientation programme for new employees, as well as many other fun-filled activities. MFM also conducted remuneration benchmarking exercise as one of the retention strategies to ensure the competitiveness of current remuneration practices and the sustainability of the current salary range structure and benefits policy.



MFM Town Hall

In providing a platform for senior management to engage and foster closer relationships with the employees, MFM organises town hall session annually. This year, the town hall session was participated by 210 employees from Malaysia, Vietnam and Indonesia. The Managing Director and Business Unit Heads shared the Group's past year achievements and upcoming business objectives and strategies for their respective areas. A Question & Answer session was incorporated to encourage two-way communication.

Malaysia Cultural Day

In conjunction with Malaysia Day and Mid-Autumn Festival, MFM organised Malaysia Cultural Day on 15 September 2017 which aims to promote diversity and increase understanding between cultures, at the same time engage and build relationships between employees and the management team. On top of delicious local delicacies that were served, Best Malaysia Traditional Costume and Lantern Making Competition were held. Throughout the competitions, employees showcased their creativity and crafted their own unique and fascinating MFM lanterns with recycled materials.

Innovation Awards

To instil innovative culture, an Innovation Award Competition was introduced to encourage employees to spawn new and creative ideas in their workplace for continuous improvement. The Best Innovation Award for year 2017 Innovation Award Competition was won by DPP Sitiawan. The winning project titled "Fillet Tendon Stainless Steel Stand" has fulfilled all five criteria for the best innovation, i.e. creativity, business impact, teamwork, analysis of business benefits and implementation.



Corporate Social Responsibility

In MFM, we acknowledged that Corporate Social Responsibility (CSR) is vital to our current and future success as a business. We take 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 which include good ethical behaviour, concern for employees, care for the environment and community involvement.

CUSTOMER/CONSUMER RELATIONS

PRODUCT DEMONSTRATION

Product Demonstration during Ramadhan in May 2017 at Aeon Bandaraya Melaka and Aeon Kinta City, Ipoh

In conjunction with the Ramadhan month, MFM held a roadshow at Aeon Bandaraya Melaka for 4 days from 4 May 2017 to 7 May 2017. Additionally, the same event was also held at Aeon Kinta City, Ipoh on 14 May 2017. The objective of these events was to promote and build brand awareness of MFM flour to consumers via product demonstration to create crowd momentum.



Product demonstration at Kim Wah Food Ingredients, Kluang

On 5 May 2017, MFM Pasir Gudang's Product Consultant & Customer Service team had conducted a product demonstration and food tasting at Kim Wah Food Ingredients, Kluang. 3 recipes were demonstrated namely pineapples cookies, snow almond cookies and buttermilk chocolate pound cake.



Corporate Social Responsibility

DISTRIBUTORS' CONVENTION

DPP had organised its Distributors' Convention in Guangzhou, China from 22 November 2017 to 25 November 2017. DPP's future strategic directions, marketing and branding activities were shared with its distinguished business partners. Mock cheque incentives were given on the day to the distributors as recognition of their efforts and achievement during the year. All distributors benefited from the useful information shared with them and the incentives motivated them to serve customers better.



COMMUNITY ENGAGEMENTS

FUND RAISING

Shang Wu School, Penang Fund Raising

On 21 May 2017, DPP had participated in school fund raising activities organised by Shang Wu School, Penang. All funds raised from the sales of Ayam Dindings products were contributed to the school.



Food Fair

DPP had participated in Pay Fong Middle School's Food Fair from 17 June 2017 to 18 June 2017. DPP engaged and sponsored the food fair with its Ayam Dindings products. All proceeds from the fund raising exercise were contributed to the school.



Corporate Social Responsibility

SRJK (C) Aulong, Taiping Fund Raising Event

On 1 September 2017, DPP had participated in school fund raising activities organised by SRJK (C) Aulong, Taiping. DPP sponsored its Ayam Dindings Roast Chicken. DPP had received astounding response from the crowd. Moreover, all proceeds from the sales of DPP's products were contributed to the school.



Sitiawan 1st Settlement Museum Carnival

On 16 September 2017, DPP took part in the above fund raising event held at Sitiawan Settlement Museum and had sponsored its Ayam Dindings products. Due to overwhelming response from the crowd, DPP's products were quickly sold off.



Senamthon Carnival

SK (P) Methodist 1, Brickfields organised "Senamthon Carnival" on 8 October 2017. DPP participated and sponsored its Ayam Dindings products.



Corporate Social Responsibility

Sekolah Semangat Maju, Sitiawan – Fund Raising

On 28 October 2017, DPP sponsored its Ayam Dindings products to Sekolah Semangat Maju, Sitiawan. All proceeds from the sales of DPP's products were donated to the school.



Sin Chew Carnival

On 29 October 2017, DPP participated in "Sin Chew Carnival" fund raising event organised by SJK (C) Bukit Beruang. All proceeds from the sales of DPP's products were contributed to the school for its upgrading and installation of multimedia equipment in the classrooms.



Karnival Jualan

On 1 November 2017, DPP participated in "Karnival Jualan" fund raising event organised by SJK (C) Kur Seng, Sitiawan. All proceeds from the sales of DPP's Ayam Dindings products were donated to the school.



Corporate Social Responsibility

Penyayang Orang Tua

On 14 May 2017, DPP had organised the "Penyayang Orang Tua" event along with an NGO in Penang. DPP sponsored the event with Ayam Dindings products. All proceeds collected were contributed to the participating NGO.



Hari Raya Makan - Makan with Mentally Challenged Children

On 6 July 2017, DPP had organised a "Hari Raya Makan-Makan" to share love and joy with intellectually disabled children in a Penang Mentally Challenged School. DPP team had cooked and sponsored its Ayam Dindings products.



Hari Raya Berbuka Puasa for Peringkat DUN Bemban with fakir Miskin, Warga Emas and Anak Yatim

On 13 June 2017, DPP had sponsored Ayam Dindings products in conjunction with "Hari Raya Berbuka Puasa" for old folks and orphanages in Dewan Terbuka Jeperum Bemban, Melaka.



Corporate Social Responsibility

Project Go Rotary 2017 for Old Folks

Rotary Club of Tampin organised an event named "Projek Hormati Warga Emas" on 24 September 2017. DPP's products were cooked and distributed to the elderly.



Sambutan Hari Rehabilitasi Sempena Hari OKU Sedunia

On 16 December 2017, Persatuan Rakan Celik PIPI (Physical, Intervention, Psychological, and Intellectual) had launched the "Sambutan Hari Rehabilitasi Sempena Hari OKU Sedunia" in Hospital Sultan Ismail, Johor Bahru. DPP participated in the event and sponsored its Ayam Dindings products.



Contribution to Vietnamese Fatherland Front of Ba Ria - Vung Tau Province

In 2017, Mekong Flour Mills Ltd. had contributed 50,000,000 VND to the Vietnamese Fatherland Front of Ba Ria - Vung Tau Province towards the construction of a solidarity house.



Corporate Social Responsibility

Social Education Programme with Hoa Sua Baking School in Vietnam

The Hoa Sua Baking School in Vietnam is dedicated to help disadvantaged young people with an opportunity to learn French culinary skills. In December 2017, Vimaflour Ltd participated in the baking class organised by Hoa Sua Baking School to teach the students to have a better understanding of flour characteristics. Vimaflour sponsored certain baking equipment and flour to Hoa Sua Baking School.



Plant Tour for Hoa Sua Baking School

In 2017, Vimaflour Ltd hosted a group of students from Hoa Sua Baking School to provide the real factory experience together with state-of-the-art equipment used in production.



Corporate Events

Ground Breaking Ceremony (3 March 2017)

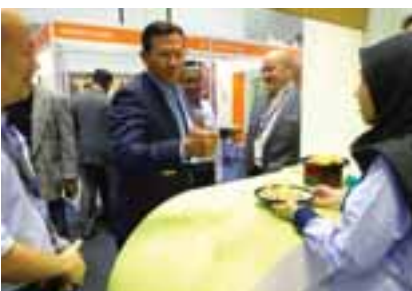
Dindings Poultry Processing Sdn Bhd (“DPP”) held its ground breaking ceremony for the expansion of its processing plant located at Kawasan Perindustrian Kg. Aceh, Sitiawan, Perak which was officiated by the Perak Menteri Besar, YBhg Datuk Seri Diraja Dr. Zambry Abdul Kadir.



14th Malaysia International Halal Showcase (“MIHAS”) (5 April – 8 April 2017)

DPP participated in the 14th Malaysia International Halal Showcase which took place at the Kuala Lumpur Convention Centre.

DPP took the opportunity to introduce its new product, namely “Chicken Katsu”. Surveys were conducted to analyse consumers’ sensory evaluation towards the “Chicken Katsu” at the MIHAS.



57th Annual General Meeting (25 May 2017)

MFM held its 57th Annual General Meeting at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.



Annual Dinner (3 November 2017)

An Annual Dinner was held at the Grand Ballroom, Pullman Hotel Kuala Lumpur as a treat for the employees as well as to foster better ties and interaction amongst the employees. Activities such as live band performance, dance show, games, best dress awards and lucky draws were organised for the entertainment of all the attendees.



Corporate Events (cont'd)

Tastefully Food & Beverage Expo, Mid Valley Megamall Exhibition Centre (“MVEC”) (10 November – 12 November 2017)

DPP participated in the Tastefully Food & Beverage Expo held at the MVEC to increase brand awareness among consumers. Ayam Dindings' products were sold at promotional price to attract customers.

During the Expo, DPP had also participated in the Facebook contest organised by Tastefully Management of which 30 winners were selected to redeem gifts from our booth.



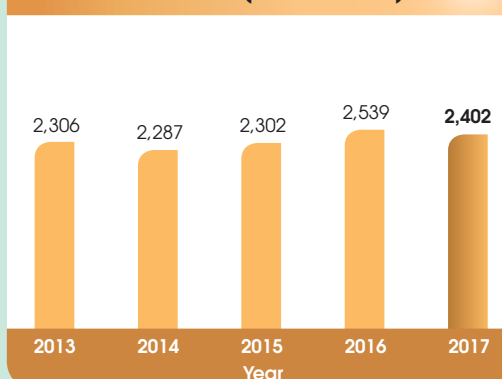
Group Financial Highlights

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	2,306,038	2,286,575	2,301,907	2,538,686	2,402,283
Profit before tax	93,908	83,729	43,874	111,319	96,493
Tax expense	(13,732)	(4,235)	(14,470)	(18,359)	(24,530)
Profit for the year	80,176	79,494	29,404	92,960	71,963
Minority interests	(13,198)	(11,716)	(8,859)	(12,125)	(3,395)
Profit attributable to equity holders of the Company	66,978	67,778	20,545	80,835	68,568
Issued share capital (RM'000)	269,112	269,114	275,120	275,120	377,501
Shareholders' fund (RM'000)	667,809	730,560	771,101	833,105	834,616
Net assets per share (sen) *	124	136	140	151	152
Basic earnings per share (sen) **	12.44	12.59	3.82	14.69 ^a	12.46 ^a
Gross dividends (%) - taxable	18.00	-	-	-	-
Gross dividends (%) - single tier	-	13.00	8.00	13.00	9.50
* Based on number of shares ('000)	538,223	538,228	550,239	550,239	550,285
** Based on weighted average number of shares ('000)	538,223	538,225	538,327	550,239	550,270

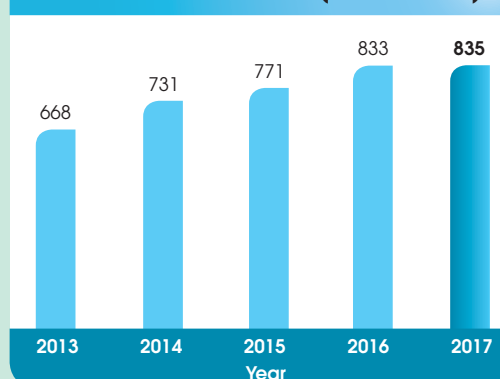
Note:

a. As disclosed in Note 20 to the Financial Statements.

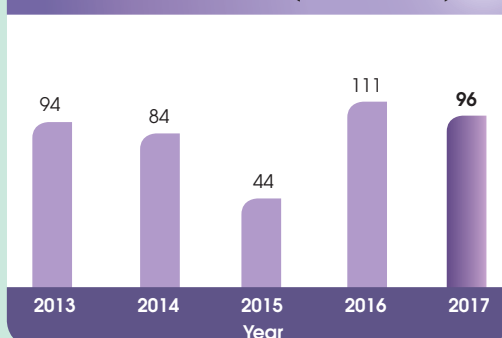
Revenue (RM'Million)



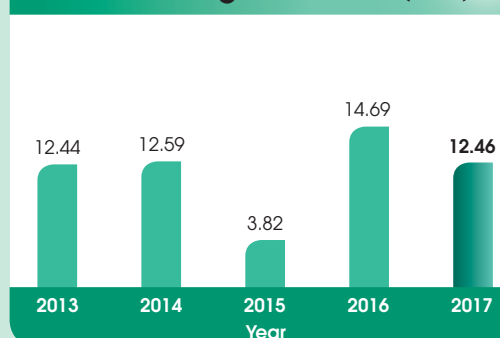
Shareholders' Fund (RM'Million)



Profit Before Tax (RM'Million)



Basic Earnings Per Share (Sen)



Corporate Governance Overview Statement

The Board of Directors (“the Board”) of Malayan Flour Mills Berhad (“the Company”) remains committed in ensuring the practice of good corporate governance in the conduct of the businesses and affairs of the Company and its subsidiaries (“the Group”).

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 is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) and mainly describes the approaches that the Group has taken with respect to the principles and recommended practices in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) during the financial year 2017.

The Corporate Governance Report (“CG Report”) which discloses the Company’s application of each recommended practice in the MCCG 2017 is available on the Company’s website at www.mfm.com.my.

Board of Directors

Roles and Responsibilities

The Board is responsible for the oversight and overall management of the Group by providing guidance and direction to the management with regards to the sustainability, strategic planning, risk management, succession planning, financial and operations to meet the expectations and obligations to the shareholders and various stakeholders.

Amongst the key responsibilities of the Board are as follows:

- Review and approve short and medium terms strategic plans
- Monitor the progress of the Group’s business to evaluate whether the businesses are properly managed to achieve its targeted returns and sustainability
- Establish goals for management and monitor the achievement of these goals
- Identify principal business risks faced by the Group and ensure the implementation of appropriate internal controls and mitigating measures to address the risks
- Review the adequacy of the internal control systems
- Review succession and human resource plans
- Consider management’s recommendations on key issues including investments, acquisitions, funding and significant capital expenditure

The Board delegates the day-to-day management of the Group to the Managing Director who further cascades the delegation to the management team. Both the Managing Director and management team remain accountable to the Board for the authority delegated to them and brief the Board on the operational progress and financial results on a quarterly basis.

Significant matters reserved for the consideration of the Board include the following:

- Approval of financial statements including accounting policies of the Group
- Declaration of dividends
- Approval of annual budget

- Approval for the appointment and remuneration of Directors and Senior Management staff
- Proposed corporate exercise
- Borrowings from financial institutions
- Acquisition and disposal of assets
- New investments such as joint venture

As for the succession planning, the Board is responsible in reviewing candidates for the appointment of Director and key management positions. The Managing Director updates the Board annually and from time to time on the details of the programmes for management development such as coaching, leadership and technical training. The Board also reviews the remuneration of the Directors and key Senior Management to ensure that their remuneration packages are sufficiently attractive to attract and retain the talents.

Board Charter

The roles and functions of the Board 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 was last reviewed in 2017 to reflect the changes in the composition of the Board, Listing Requirements and Companies Act 2016. The Board Charter is available on the Company's website.

Composition and Balance of the Board

There are currently 10 Directors on the Board comprising of 3 Executive Directors and a strong team of 7 Non-Executive Directors of whom 5 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 Directors of the Company are persons of high integrity and calibre who come from diverse backgrounds with expertise and skills in banking, finance, accounting, manufacturing, retailing, property development, public services, education and legal.

The present Board composition complies with paragraph 15.02 of the Listing Requirements which require a minimum of 2 directors or 1/3 of the Board to be independent directors, whichever is the higher.

The Board, which comprises of diverse ethnicity and age, had also achieved the gender diversity with the appointment of a woman director to the Board on 25 May 2017. The selection criteria for appointment of Director continued to be based on merit, calibre, skill and knowledge which are relevant to the Company. A brief profile of each Director of the Company can be found on pages 5 to 10 of this Annual Report.

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 and provide wide and unfettered perspective on issues. They also bring to the Board integrity and a strong sense of ethics as well as ensuring effective check and balance in the functioning of the Board.

The Board had appointed Dato' Hj Shaharuddin bin Hj Haron as the Senior Independent Non-Executive Director to whom any concerns on the Company may be conveyed.

Corporate Governance

Overview Statement (cont'd)

Currently, the Board Charter provides that there shall be no term of office for an Independent Director as the Board believes that continued contribution by long serving Directors provides more benefit to the Company and the Group as a whole. Their considerable knowledge of the Company's culture and businesses would facilitate them to discharge their duties and role as Independent Directors more effectively. However, each Independent Director shall be subject to the Independent Director's Self-Assessment for Annual Declaration of Independence and the annual Individual Director Self/Peer Evaluation to ensure that each of them continues to fulfill the definition of independence as set out in the Listing Requirements.

Based on both the results of the Independent Director's Self-Assessment for Annual Declaration of Independence and annual Individual Director Self/Peer Evaluation, the Nomination Committee and the Board were satisfied that all the Independent Non-Executive Directors of the Company had continued to be independent-minded and demonstrate conduct and behaviour that are essential indicators of independence.

The Nomination Committee and Board also concluded 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 Group 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

The Board Charter provides 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.

Tan Sri Dato' Seri Utama Arshad bin Ayub, who is a Non-Independent Non-Executive Director, is the Chairman of the Company. He is responsible for leading and ensuring the Board effectiveness and compliance with corporate governance. He acts as a facilitator at Board meetings and general meetings to ensure that the meetings are carried out smoothly according to their agenda. He is the father of Encik Azhari Arshad who is an Executive Director.

Mr Teh Wee Chye is the Managing Director of the Company and leads the day-to-day management of the Group. He, together with the support of the management team, formulate business strategies and plans so as to achieve the Group's vision and missions, targeted growth, turnover and profitability to meet the stakeholders' expectation. He is responsible for implementing the policies and decisions of the Board and coordinating the implementation of business and corporate strategies.

The Chairman and Managing Director have regular dialogues over all operational matters. Between Board meetings, the Chairman maintains an informal link between the Board and the Managing Director, expects to be kept informed by the Managing Director on all important matters and is available to the Managing Director to provide counsel and advice where appropriate.

Appointment and Re-election of Directors

The procedures for appointments to the Board are formal and transparent. The Nomination Committee is responsible for making recommendation for any appointment to the Board by considering the mix of skills, knowledge, expertise and experience which the Director brings to the Board. Amongst the qualifications for membership of the Board are:

- an appropriate knowledge, understanding or experience of the conduct of business;
- the ability to see the wider picture and perspective, with some benefit of international experience;
- the ability to make sensible and informed business decisions and recommendations;
- high ethical standards and sound practical sense;
- integrity in personal and business dealings; and
- total commitment to furthering the interest of the shareholders and to achieve the Company's goals.

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. Upon performing the requisite assessment by the Nomination Committee, the new nomination of Director will be recommended to the Board for approval.

The Company's Articles of Association provide that all Directors shall hold office only until the next Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election.

In respect of the retirement by rotation of Directors, the Article provides that at least 1/3 or the nearest to 1/3 of the Directors for the time being are subject to retirement by rotation at each AGM and that all Directors are subject to retirement by rotation at least once in every 3 years. The Director who is subject to retirement at the AGM, shall be eligible for re-election.

A Director who is due for re-election at the AGM will first be assessed by the Nomination Committee on his performance and contribution, who will then submit its recommendation to the Board for deliberation and endorsement. Thereafter, shareholders' approval will be sought for the re-election.

Information of the Director standing for re-election such as his personal profile, attendance of meetings and shareholdings are available in this Annual Report for the shareholders to make an informed decision.

Board Meetings and Time Commitment

The Board meets at least 6 times annually with quarterly meeting being held to review amongst other matters the business progress report and financial results. Board meetings for the ensuing financial year are scheduled prior to the commencement of that year to enable the Board and management to plan their schedule ahead. Additional meetings are convened in between scheduled meetings when Board's decision is required for urgent and important proposals or matters. Where appropriate, the Board's decision may be made via Circular Resolution in between scheduled meetings. Decisions of the Board are made unanimously or by consensus.

For the Board to deliberate effectively on agenda of the meetings, relevant meeting papers will be furnished to the Directors at least 4 working days in advance of each meeting. This allows the Directors sufficient time to peruse the papers and have productive discussion and make informed decision at the meeting.

All deliberations and decisions made by the Board are properly recorded by the Company Secretary by way of minutes of the meetings. 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.

Corporate Governance

Overview Statement (cont'd)

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 at the Board meeting. The Director concerned will then abstain from any decision-making process in which he has an interest in.

During the year under review, 8 Board meetings were held. The attendance of each Director at the Board meetings is as follows:

<u>Name of Directors</u>	<u>Meeting Attendance</u>
<i>Non-Independent</i>	
Tan Sri Dato' Seri Utama Arshad bin Ayub	8/8
Teh Wee Chye	8/8
Prakash A/L K.V.P Menon	8/8
Azhari Arshad	8/8
<i>Independent</i>	
Dato' Hj Shaharuddin bin Hj Haron	7/8
Datuk Oh Chong Peng	8/8
Dato' Wira Zainal Abidin bin Mahamad Zain	8/8
Quah Poh Keat (<i>appointed on 25 May 2017</i>)	4/4
Prof. Datin Paduka Dato' Dr Aini binti Ideris (<i>appointed on 25 May 2017</i>)	2/4

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 all the Directors towards fulfilling their duties and responsibilities as Directors of the Company. This is reflected by their attendances at the Board and various Board Committees meetings held during the year.

Besides attending Board and Board Committees meetings, as their commitment in discharging their duties and responsibilities, the Directors had also attended signing ceremony, offsite meetings with relevant authorities and discussion meetings with management.

In addition, all the Directors of the Company do not hold directorships at more than five public listed companies as prescribed in paragraph 15.06 of the Listing Requirements and thus, able to commit sufficient time to the Company. For notification to the Companies Commission of Malaysia as well as monitoring purpose, the Directors are required to notify the Company on any changes in his other directorship of public companies or subsidiaries of public companies.

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

Qualified and Competent Company Secretary

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 laws, 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 attends all the Board and Board Committees meetings as well as the General Meetings and ensures accurate records of the proceedings and decisions of the meetings are made and properly kept.

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

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.

In addition, the Company Secretary also receives regular updates on training programmes from Bursa Securities and various organisations which will be circulated to the Directors for their consideration.

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

For the year under review, the Directors have attended various appropriate seminars, conferences, workshop and courses covering accounting, tax, finance, management, leadership, corporate governance, regulatory and industry developments. The conferences, seminars and training programmes attended by the Directors of the Company during the year covered the following topics:

Leadership/Directorship/Management

- Paradox Coaching
- Leadership Development Programme
- The 7 Habits of Highly Effective People
- Domestic Inquiry Procedures
- Coaching Midpoint & Finale
- Competency-Based Interview Workshop
- MNCs & SMEs Supply Chain Development & Opportunities

Corporate Governance/Risk Management/Investors Relation

- Bursa Malaysia's Sustainability Forum
- Corporate Directors Advanced Programme - Cybersecurity Risk Management for The Boardroom and C-Suite
- Sustainability Engagement Series for Directors/Chief Executive Officers
- Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability

Corporate Governance

Overview Statement (cont'd)

- Implementing a Risk Management & Internal Control Framework based on the Malaysian Code on Corporate Governance
- Malaysian Code On Corporate Governance (New): An Overview
- Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- Directors' Risk Management Programme: I Am Ready to Manage Risks
- Bursa Malaysia's Corporate Governance Breakfast Series for Directors entitled: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World

Finance/Audit

- Corporate Directors Advanced Program – Financial Language in the Boardroom

Compliance/Economy

- The New Companies Act 2016 - Raising The Bar for Directors
- Overview of the Companies Act 2016: Practical Insights & The Challenges and the Duties and Responsibilities of Directors
- SSM National Conference 2017
- Mid & Small Cap ("MidS") Research Scheme Briefing
- MidS Workshop series
- National Investment Seminar 2017

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 all the Board Committees are clearly defined in the Board Charter and are available on the Company's website. The Chairman of the various committees will report to the Board on the outcome of the respective Committee meetings and such reports are incorporated in the minutes of the Board meeting.

In 2017, the Board had established the Risk Management Committee which is combined with the Audit Committee. Currently, the Board has 3 standing committees namely, Audit & Risk Management Committee, Nomination Committee and Remuneration Committee. The Board retains full responsibility for the direction and control of the Company and the Group.

Audit & Risk Management Committee

The composition, duties and responsibilities of the Audit & Risk Management Committee together with its report are presented on pages 68 to 71 of this Annual Report.

Nomination Committee

The Nomination Committee shall comprise exclusively of non-executive directors, a majority of whom must be independent. The Committee currently consists of 4 Independent Non-Executive Directors and 2 Non-Independent Non-Executive Directors as follows:

Dato' Wira Zainal Abidin bin Mahamad Zain (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Seri Utama Arshad bin Ayub	Non-Independent Non-Executive Director
Dato' Hj Shaharuddin bin Hj Haron	Independent Non-Executive Director
Datuk Oh Chong Peng	Independent Non-Executive Director
Prakash A/L K.V.P Menon	Non-Independent Non-Executive Director
Prof. Datin Paduka Dato' Dr Aini binti Ideris (appointed on 17 August 2017)	Independent Non-Executive Director

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

- a. 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;
- b. 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;
- c. 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;
- d. To review the balance between Executive and Non-Executive Directors and to ensure at least 1/3 of the Board is comprised of Independent Directors in compliance with the Listing Requirements;
- e. To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director;
- f. To recommend Directors who are retiring by rotation to be put forward for re-election; and
- g. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

The Nomination Committee had carried out the following activities during the year in the discharge of its duties:

- Having identified and evaluated the calibre, necessary skill and experience of Mr Quah Poh Keat and Prof. Datin Paduka Dato' Dr Aini binti Ideris, recommended them for appointment as new Independent Non-Executive Directors of the Company which were effected on 25 May 2017;
- Recommended the appointment of Mr Quah Poh Keat as member of the Audit & Risk Management Committee and Prof. Datin Paduka Dato' Dr Aini binti Ideris as member of the Committee which were effected on 17 August 2017; and
- Recommended the appointment of Mr Lim Pang Boon as Executive Director of the Company as recognition of his contribution and excellent performance as the Head of the Flour Division in Vietnam which was effected on 1 January 2018.

Besides the above activities, the Committee had also conducted the Performance Evaluation of the Board, Board Committees and Individual Director for year 2017 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.

In the evaluation of each Board Committee, its effectiveness was assessed in terms of its composition, level of assistance to the Board, fulfilment of the roles by each member of the Committee and effectiveness of its Chairman.

Meanwhile, the individual Director was assessed on his contribution to interaction, quality of input and understanding of his role.

Results of the assessments and areas which required improvement were compiled and reviewed by the Nomination Committee. For the overall results of the assessments, the Board and Board Committees have achieved the strong ratings.

Corporate Governance

Overview Statement (cont'd)

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

- The Board and Board Committees had been able to discharge their duties and responsibilities professionally and effectively.
- Each of the Directors continued to perform, contribute and devote sufficient time in fulfilling his role and responsibility towards an effective Board.
- 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 AGM for the re-election of Mr Quah Poh Keat, Prof. Datin Paduka Dato' Dr Aini binti Ideris and Mr Lim Pang Boon whose term of office will end at the conclusion of the forthcoming AGM and being eligible, have offered themselves for re-election.
- Shareholders' approval be sought at the forthcoming AGM 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 being eligible, have offered themselves for re-election.

Remuneration Committee

The Remuneration Committee shall comprise mainly of non-executive directors. The Committee currently comprises of 2 Independent Non-Executive Directors, 2 Non-Independent Non-Executive Directors and 1 Executive Director as follows:

Tan Sri Dato' Seri Utama Arshad bin Ayub (Chairman)	Non-Independent Non-Executive Director
Dato' Hj Shaharuddin bin Hj Haron	Independent Non-Executive Director
Datuk Oh Chong Peng	Independent Non-Executive Director
Prakash A/L K.V.P Menon	Non-Independent Non-Executive Director
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 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. The Committee also reviews and recommends the yearly salary increment and performance incentives of the Senior Management for the Board's approval.

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 Directors' fees and benefits payable to the Directors are subject to yearly approval by the shareholders at the AGM.

Remuneration

The remuneration framework for executive directors and senior management has an underlying objective of attracting and retaining directors and senior management needed to run the Company successfully. The Company has in place a remuneration policy which linked the remuneration package of the Executive Directors and Senior Management to the corporate and individual performance. The remuneration package of the Executive Directors and Senior Management 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 packages are periodically reviewed to keep abreast with the changes in the market and industry as well as to motivate and retain the talents to pursue the long term goals of the Group.

The policy to determine the remuneration of Directors is provided in the Board Charter. The Directors are paid Committee fee and meeting allowance for each Board and Committee meeting they attend. The Non-Executive Directors of the Company also receive Directors' fees. Besides these, the Chairman is entitled to the Company's car benefit. In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of discharging their duties.

Details of the Directors' remuneration paid or payable or otherwise made to all Directors of the Company in respect of financial year 2017 are as follows:

	Fees	Salary/ Bonus/ Benefits- in-kind	Other Remuneration		Total	
			Company	Company	Subsidiary	Company
	RM'000					
Executive Directors						
Teh Wee Chye	-	3,619	428	24	4,047	4,071
Azhari Arshad	-	686	83	-	769	769
Non-Executive Directors						
Tan Sri Dato’ Seri Utama Arshad bin Ayub	240	28	27	68	295	363
Dato’ Hj Shaharuddin bin Hj Haron	120	-	26	-	146	146
Datuk Oh Chong Peng	120	-	24	-	144	144
Dato’ Wira Zainal Abidin bin Mahamad Zain	120	-	21	-	141	141
Prakash A/L K.V.P Menon	120	-	17	24	137	161
Quah Poh Keat	73	-	8	-	81	81
Prof. Datin Paduka Dato’ Dr Aini binti Ideris	73	-	7	-	80	80
Tan Sri Mohd Sidek bin Haji Hassan	15	-	-	-	15	15
Total	881	4,333	641	116	5,855	5,971

Corporate Governance Overview Statement (cont'd)

Corporate Reporting and Relationship with Stakeholders

Conduct of General Meetings

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 AGM and to participate in the proceedings. All the Directors, Senior Management and External Auditors were present at the AGM held on 25 May 2017 to engage with the shareholders and answer to their queries. The Managing Director also presented a brief overview of the financial performance of the Group during the AGM. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group. The Company's responses to the queries submitted in advance by the Minority Shareholder Watchdog Group were also presented to the shareholders. Shareholders' suggestions received during AGM are reviewed and considered for implementation wherever possible. For the smooth conduct of the AGM, the voting is conducted through electronic voting system. A press conference is held immediately after the AGM to brief and update the media representatives on the outcome of the AGM and the operations of the Group. Summary of the minutes of the AGM is also posted on the Company's website for the information and benefit of all the shareholders of the Company.

In line with the recommended practice of MCCG 2017, the Company is giving 28 days' notice to the shareholders on the forthcoming AGM to provide them sufficient time to prepare, participate and make informed voting decision at the AGM.

Communication with Stakeholders

The timely release of quarterly financial results, the issuance 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 includes, amongst others, the corporate profile, directors' profiles, financial results, annual reports, announcements released to Bursa Malaysia Securities Berhad, research reports, board charter, corporate governance statement, code of conduct, whistle blowing policy, dividend information, corporate news, operations and products of the Group.

In 2017, the Company had been selected to participate in Bursa Mid and Small Cap Research Scheme ("MidS Research Scheme") for a period of two years. In line with the MidS Research Scheme, two research companies had been assigned to provide research coverage for the Company. The research reports produced under the MidS Research Scheme are posted on the Bursa Marketplace's website and the Company's website.

Besides this, the Company was also being invited to be profiled in Astro Awani's "The Marketplace" TV programme. "The Marketplace" is Bursa Malaysia's collaboration with Astro Awani to feature and profile attractive Public Listed Companies from the MidS Research Scheme to investors. The interview with the Managing Director of the Company was aired over Astro Awani's Markets Today on 5 September 2017 and had been uploaded onto the Company's website for viewing.

From time to time, the designated Senior Management also has dialogues with fund managers and research analysts on the strategy, 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.

In October 2017, the Company received an award for the “Most Improved Service From IR Team” from Malaysian Investor Relations Association (“MIRA”) as recognition for the efforts in Investor Relations (“IR”) practices.

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato’ Hj Shaharuddin bin Hj Haron 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 Management Discussion and Analysis are also contained in this Annual Report for 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 2016. Efforts are made to ensure that in presenting the financial statements, the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates are being used.

Corporate Disclosure

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

Internal Control

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

The Statement on Risk Management and Internal Control as set out on pages 72 to 75 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.

Corporate Governance Overview Statement (cont'd)

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 Dato' Hj Shaharuddin bin Hj Haron, 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 is deemed 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. The Code is available on the Company's website.

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 & Risk Management Committee has an appropriate and transparent relationship with the external auditors. The Audit & Risk Management 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 & Risk Management 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 & Risk Management Committee.

Additional Compliance Information

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

1. Utilisation of Proceeds from Corporate Proposal

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2017.

2. Audit and Non-Audit Fees

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors, KPMG PLT and a firm affiliated to KPMG PLT by the Group and the Company for financial year 2017 are as follows:

	Group (RM'000)	Company (RM'000)
Audit Fees	467	95
Non-Audit Fees	271	189
Total	738	284

3. Material Contracts Involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2017 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 26 to the financial statements on page 155 of this Annual Report.

4. 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 155 of this Annual Report.

Audit & Risk Management Committee Report

The Board of Malayan Flour Mills Berhad is pleased to present the Audit & Risk Management Committee Report for the year ended 31 December 2017.

Members

Chairman:	Dato' Hj Shaharuddin bin Hj Haron (Independent Non-Executive Director)
Members:	Tan Sri Dato' Seri Utama Arshad bin Ayub (Non-Independent Non-Executive Director)
	Datuk Oh Chong Peng (Independent Non-Executive Director)
	Dato' Wira Zainal Abidin bin Mahamad Zain (Independent Non-Executive Director)
	Quah Poh Keat (Independent Non-Executive Director)

The Audit & Risk Management Committee ("the Committee") comprises of 5 members, all of whom are Non-Executive Directors and 4 being Independent Directors. This meets the requirements of paragraph 15.09(1) (a) and (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

Members of the Committee, Datuk Oh Chong Peng, 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") whilst Mr Quah Poh Keat is a Fellow of the Malaysian Institute of Taxation ("MIT") and the Association of Chartered Certified Accountants ("ACCA") and a member of the MIA, the MICPA and the Chartered Institute of Management Accountants ("CIMA"). Hence, the Company complies with paragraph 15.09(1)(c)(i) of the Listing Requirements.

The Nomination Committee assesses the performance of the Committee and its members through an annual Board Committee evaluation as well as reviews the terms of office of the members of the Committee. The Nomination Committee is satisfied that the Committee and its members have discharged their duties and responsibilities in accordance with its Terms of Reference and has supported the Board well in reviewing the financial statements, internal control and risk management.

Meetings

During the year, the Committee held 5 meetings and the details of the attendance of each member of the Committee are as follows:

Members	Attendance
Dato' Hj Shaharuddin bin Hj Haron	4/5
Tan Sri Dato' Seri Utama Arshad bin Ayub	5/5
Datuk Oh Chong Peng	5/5
Dato' Wira Zainal Abidin bin Mahamad Zain	5/5
Mr Quah Poh Keat (<i>appointed on 17 August 2017</i>)	1/1

At the request of the Committee, the Managing Director, Chief Financial Officer and Financial Controller had attended the meetings to advise, clarify and address matters discussed at the meetings.

The Head of Group Internal Audit and Risk Management had attended all the quarterly meetings of the Committee to report on the internal audit plan, internal audit reports and the review on the related party transactions.

During the year, the representatives of the External Auditors had also attended the meetings of the Committee to present their Audit Plan, Audit Findings and the annual audit report on the audit of financial statements.

Terms of Reference

The Committee is governed by its terms of reference which describe its composition, authority, duties and responsibilities. The Terms of Reference is available on the Company's website at www.mfm.com.my.

Summary of the Work of the Committee

The work carried out by the Committee in the discharge of its duties and responsibilities during the financial year ended 31 December 2017 were as follows:

a. Financial Reporting

- i. Reviewed the quarterly unaudited financial results and announcements before recommending them to the Board for approval.
- ii. Reviewed the annual audited financial statements of the Group and of the Company prior to submission to the Board for approval.
- iii. Reviewed the impact of the changes to the accounting policies and adoption of new accounting standards and treatments used in the financial statements.

b. Internal Audit

- i. Head of Group Internal Audit and Risk Management presented the comprehensive internal audit plan which had been undertaken to evaluate and identify the companies and operational auditable areas to be audited within the Group. The Committee 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.

Subsequently, the Committee reviewed the progress status of the internal audit plan presented by the Head of Group Internal Audit and Risk Management at its quarterly meeting.

- ii. Reviewed the internal audit reports submitted and presented by the Head of Group Internal Audit and Risk Management at each of the quarterly meeting of the Committee. The Committee appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported and recommended further improvement measures.
- iii. Reviewed the performance of the Head of Group Internal Audit and Risk Management and based on the recommendation of the Remuneration Committee, approved his salary increment and performance incentive.

c. External Audit

- i. Reviewed with the external auditors, KPMG PLT, on their Audit Plan prior to commencement of the audit. The Engagement Partner of KPMG PLT presented the Audit Plan and Strategy for the Group for financial year 2017 which entailed the engagement team, audit scope, audit timeline and audit focus areas.
- ii. Reviewed the proposed fees for the statutory audit, review of the Statement on Risk Management and Internal Control and review of Group Reporting Package and Audit Working Papers of component auditors. The proposed fees were then recommended by the Committee to the Board for approval.
- iii. Discussed and reviewed the Group's financial statements with the external auditors including issues and findings noted in the course of the audit.

Audit & Risk Management Committee Report (cont'd)

Summary of the Work of the Committee (cont'd)

c. External Audit (cont'd)

- iv. 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 had 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.
- v. The external auditors had provided their written assurance that they were not aware that their firm, the engagement partner, engagement quality control reviewer and members of the audit engagement team were not, and had not been, independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

The external auditors also confirmed that their audit services were subject to the firm's and the profession's strict rules and policies regarding auditor independence, as well as relevant statutory requirements. They enforced those rules and policies in order to maintain objectivity and to be free of conflicts of interest when discharging their professional responsibilities. They had also implemented a number of firm-wide ethics and independence systems to monitor compliance with their policies in relation to independence and ethics.

Besides the written assurance from the external auditors on their independence, input from the Company personnel, who had substantial contact with the external auditors throughout the year, on the quality of service provided, independence, objectivity and professional skepticism of the external auditors via questionnaires was obtained for the Committee's annual evaluation of the external auditors. Subsequently, the Committee conducted an assessment on the performance, technical competency, suitability and independence of the external auditors throughout the conduct of their audit engagement and being satisfied with the suitability and independence of the external auditors, the Committee recommended to the Board for approval on the re-appointment of the external auditors at the Annual General Meeting of the Company.

d. Risk Management

- i. Reviewed the Audit Committee Report before recommending it for approval by the Board for disclosure in the Annual Report.
- ii. Reviewed the Statement on Risk Management and Internal Control ("SORMIC") which was prepared by the Head of Group Internal Audit and Risk Management on behalf of the Committee, being the delegated committee of the Board responsible for the preparation of the SORMIC.

Upon the review by the external auditors, who were engaged to provide an independent limited assurance on the SORMIC, the Committee recommended the SORMIC to the Board for adoption and disclosure in the Annual Report.

The Committee authorised both the Chairman of the Committee and the Head of Group Internal Audit and Risk Management to sign the Letter of Representation in respect of the Board's SORMIC, for and on behalf of the Committee.

- iii. Reviewed the revised Terms of Reference of the Committee to include the functions of a Risk Management Committee arising from the establishment of a Risk Management Committee which is combined with the Committee and to include the policy that any former key audit partner shall observe a cooling-off period of at least 2 years before being appointed as a member of the Committee before recommending the revised terms for approval by the Board.

Summary of the Work of the Committee (cont'd)

e. Related Party Transactions

- i. Reviewed on a quarterly basis the related party transactions that had arisen within the Group and the Company and that appropriate disclosure has been made in accordance with the Listing Requirements.
- ii. Reviewed on a quarterly basis and monitored that the actual value of the recurrent related party transactions of the Group were within the estimated threshold as set out in the shareholders' mandate and that the Group had implemented relevant procedures to ensure that the transactions' prices were being determined to ensure that the recurrent related party transactions had been undertaken on an arm's length basis and on normal commercial terms.
- iii. Reviewed the Circular to Shareholders ("Circular") in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate").

The Committee reviewed the terms of the Proposed Mandate and was satisfied that the procedures for recurrent related party transactions were adequate to ensure that such transactions were not more favourable to the related party than those generally available to the public and were not detrimental to the minority shareholders.

Upon reviewing the Circular, the Committee recommended the Circular for approval by the Board and thereafter, submitted to Bursa Malaysia Securities Berhad for its perusal.

Internal Audit Function

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

The 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 Committee and Senior Management.

The total costs incurred for maintaining the Group Internal Audit and Risk Management function for year 2017 were approximately RM615,757.

Statement on Risk Management and Internal Control

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

Board Responsibility

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

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

The internal control systems are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Internal Control

Risk Management

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

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

Risk Management is an integral part of our business operations and this process goes through a review by the Board. As part of the process, the key business risks are identified by the respective operations of the Group. The impact and likelihood of occurrence of these risks are then evaluated and documented. Based on the results of the above evaluation, these risks are categorised into 4 ratings: High, Significant, Moderate and Low.

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

Risk Management Framework

The Group has in place a formal risk management process to identify, evaluate, mitigate, monitor and review risks impacting the Group. Objectives would be broadly organisation-wide taking into consideration a variety of risks (i.e. strategic, operational, compliance & reporting risks) as well as more narrowly defined business units, function or departmental risks (i.e. sales, credit control, accounts receivable, purchasing, accounts payable, production planning, quality control, human resource, etc.). Once those scope had been defined, the possible risks deemed likely to occur would be rated in terms of their impact or severity and likelihood or probability. The result can be compiled into a “risk profile” detailing the risk score which each business unit, function or department is contributing to the overall risk score.



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 & Risk Management Committee. Internal audit plans are reviewed and approved by the Audit & Risk Management Committee and the plans are to monitor compliance with and adequacy of the Group's system of internal control and to provide assurance on the effectiveness of the Group's system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.
- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a regular basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.
- The Group Managing Director meets with the Senior Management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.

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

Control Structure (cont'd)

- 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.

Significant Risk Factors relating to MFM Group

a. Business risks

Our Group is principally involved in activities within the food manufacturing and livestock industries. As such, our Group is susceptible to business risks in these industries which include but not limited to demand and competition in the food manufacturing and livestock market, supply of labour and increase in the cost of labour and raw material prices. We continuously seek to limit these risks through amongst others, careful planning of supplies and prudent management of our business.

b. Availability and cost of raw materials

Raw materials i.e. wheat, corn and soybean meal contribute to a significant proportion of our total cost of production. These materials are commodities and their availability and prices are dependent on market conditions. Any increase in raw material prices will inevitably affect our Group's profitability and results of operations. Further, if there is a shortage of these materials, we may find it difficult to obtain the amount of materials required at prices that are commercially acceptable. We have taken relevant steps to hedge our exposure to these price fluctuations by entering into futures contract. In addition, we have good business relationships with our long term major suppliers and where possible, source our supplies from a variety of suppliers.

c. Government policies & regulations including price controls & subsidies

The price of general-purpose flour in Malaysia is largely regulated and controlled by the Government vide the Price Control Act 1946. Thus, our financial performance depends to a certain extent on Government's policies in respect of the flour industry, such as the level of price ceilings and flour subsidy, which are beyond our control. With effect from 1 March 2016, the wheat flour subsidy for 25kg bag flour had been removed by the Government, whilst, the 1kg packet flour subsidy remain unchanged based on the subsidy rationalisation program.

d. Epidemics

Livestock is vulnerable to diseases and viruses, changes in weather conditions and the environment. Adverse situations such as these will also affect the demand for feeds. The Group has embarked upon bio-security installations and HACCP (Hazard Analysis & Critical Control Points) certification, FSSC 22000, HALAL, MS 1514: 2009 (Good Manufacturing Practice for Food), ISO 9001, ISO 22000 and MyGAP Certifications. In essence, HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Significant Risk Factors relating to MFM Group (cont'd)

e. Foreign exchange fluctuations

All raw materials i.e. wheat, corn and soybean meal are imported, whereby the purchase prices are largely denominated in USD. As such, we have taken sufficient steps to hedge our financial exposure to foreign currency fluctuations by entering into forward contracts. However, there can be no assurance that any significant changes in exchange rate fluctuations or foreign exchange control regulations will not have any adverse impact upon our Group's business.

Review of this Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (February 2018), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2017 and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group 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.

AAPG 3 (February 2018) does not require the external auditors to consider whether the Directors' 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 Chief Financial Officer 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 venture and associate 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 associate are served through representations on the Board of Directors of the respective joint venture and associated company.

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 20 March 2018.

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Reports and Financial Statements

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Directors' Responsibility Statement

For the Audited Financial Statements

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act 2016 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and their results, and cash flows for that year.

In preparing the financial statements for the financial year ended 31 December 2017, the Directors have:

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

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. They also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Directors' Report

for the year ended 31 December 2017

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 2017.

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.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	68,568	63,747
Non-controlling interests	3,395	-
	71,963	63,747

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:

- (i) a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,258,000 in respect of the financial year ended 31 December 2016 on 24 March 2017; and
- (ii) an interim single tier dividend of 3.00 sen per ordinary share totalling approximately RM16,509,000 in respect of the financial year ended 31 December 2017 on 19 September 2017.

On 28 February 2018, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,260,000 in respect of the financial year ended 31 December 2017, which will be paid on 30 March 2018.

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

Directors' Report (cont'd)

for the year ended 31 December 2017

Directors of the Company

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Utama Arshad bin Ayub
Teh Wee Chye
Dato' Hj Shaharuddin bin Hj Haron
Datuk Oh Chong Peng
Dato' Wira Zainal Abidin bin Mahamad Zain
Prakash A/L K.V.P Menon
Azhari Arshad
Quah Poh Keat (appointed on 25 May 2017)
Prof. Datin Paduka Dato' Dr Aini binti Ideris (appointed on 25 May 2017)
Lim Pang Boon (appointed on 1 January 2018)

List of Directors of subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year until the date of this report is as follows:

Tan Sri Dato' Seri Utama Arshad bin Ayub
Teh Wee Chye
Dato' Hj Shaharuddin bin Hj Haron
Prakash A/L K.V.P Menon
Azhari Arshad
Lim Pang Boon
Dato' Dr. Kamruddin @ Kardin bin Shukor
Dato' Dr. Goh Cheng Teik
Bui Thi Thanh Tam
Le Cong Anh
Yap Fan Yee
Phan Xuan Que
Kong Pak Cheong
Chua Kiat Hwa
Hideki Oya (resigned on 30 September 2017)
Takanobu Kodama
Daisuke Tanaka
Koichiro Ito (appointed on 1 October 2017)
Wong Su Yen Caroline
Tan Keng Seng
Romli bin Hasan

Directors' interests

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (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			
	At 1.1.2017	Acquired	Disposed	At 31.12.2017
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	61,462,477	-	-	61,462,477
Tan Sri Dato’ Seri Utama Arshad bin Ayub	25,000,000	422,000	-	25,422,000
Dato’ Hj Shaharuddin bin Hj Haron	2,000,000	-	-	2,000,000
Datuk Oh Chong Peng	5,150	-	-	5,150
Dato’ Wira Zainal Abidin bin Mahamad Zain	5,000	-	-	5,000
Prakash A/L K.V.P Menon	4,240,000	-	-	4,240,000
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	15,279,800	220,000	-	15,499,800
Azhari Arshad	15,279,800	220,000	-	15,499,800
Deemed interest of Teh Wee Chye in subsidiary companies				
Dindings Soya & Multifeeds Sdn. Berhad	35,435,000	173,334	-	35,608,334
Muda Fibre Manufacturing Sdn. Bhd.	7,000,001	-	-	7,000,001
Dindings Poultry Processing Sdn. Bhd.	53,400,000	600,000	-	54,000,000
Premier Grain Sdn. Bhd.	10,200,000	-	-	10,200,000
Dindings Poultry Development Centre Sdn. Bhd.	39,572,000	-	-	39,572,000

	Interest in capital contribution denominated in Vietnamese Dong (VND)			
	At 1.1.2017 VND'000	Acquired VND'000	Disposed VND'000	At 31.12.2017 VND'000
Vimaflour Ltd	248,953,884	-	-	248,953,884

Directors' Report (cont'd)

for the year ended 31 December 2017

Directors' interests (cont'd)

	At 1.1.2017	Number of Warrants		At 31.12.2017
		Disposed	Expired	
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	13,258,559	(6,704,059)	(6,554,500)	-
Tan Sri Dato' Seri Utama Arshad bin Ayub	4,403,385	(4,403,385)	-	-
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	(400,000)	-
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	2,244,000	(2,244,000)	-	-
Azhari Arshad	2,244,000	(2,244,000)	-	-

* Deemed to have interests through spouse and children pursuant to the Section 59(11)(c) of the Companies Act 2016 in Malaysia.

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 of the Company holding office at 31 December 2017 had any interests in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than those fees and other benefits included in the aggregate amount of remuneration 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 the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial 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 apart from the warrants.

Issue of shares

During the financial year, the Company issued 46,330 new ordinary shares for cash arising from the exercise of warrants at an exercise price of RM2.06 per ordinary share.

There were no other issuance of shares of the Company during the financial year.

Warrants

The Warrants are constituted by a 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 Malaysia Securities Berhad ["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.

Movement in the Warrants is as follows:

	Number of Warrants
At 1 January 2017	107,639,506
Exercised during the year	(46,330)
Expired during the year	(107,593,176)
At 31 December 2017	-

Directors' Report (cont'd)

for the year ended 31 December 2017

Warrants (cont'd)

During the financial year, 46,330 warrants were exercised up to 9 May 2017, the expiry date of the warrants ["Expiry Date"] which resulted in 46,330 new ordinary shares at the issue price of RM2.06 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities.

As at the Expiry Date, 107,593,176 warrants which remained unexercised ["Unexercised Warrants"] became null, void and ceased to be exercisable. The Unexercised Warrants were removed from the official list of Bursa Securities with effect from 11 May 2017.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the amount of insurance premium effected for all Directors and officers of the Company was RM22,000.

Other statutory information

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

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

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.

Other statutory information (cont'd)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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.

Subsequent events

Details of the subsequent events are disclosed in Note 27 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Director

Teh Wee Chye
Director

Kuala Lumpur
23 March 2018

Balance Sheets

at 31 December 2017

	Note	Group 2017 RM'000	2016 RM'000	Company 2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	769,062	662,145	256,643	259,219
Intangible assets	4	2,951	943	173	142
Investment properties	5	5,167	5,223	4,896	4,952
Investments in subsidiaries	6	-	-	322,177	318,298
Investment in a joint venture	7	47,217	44,563	77,531	77,531
Investment in an associate	8	1,107	992	-	-
Deferred tax assets	9	10,086	15,570	299	6,171
Other investment	10	2,213	2,213	-	-
Total non-current assets		837,803	731,649	661,719	666,313
Trade and other receivables, including derivatives	11	373,132	443,117	419,073	301,391
Prepayments		6,607	6,729	3,384	2,805
Inventories	12	493,018	455,146	135,244	149,202
Biological assets	13	56,673	49,944	-	-
Current tax assets		2,797	1,499	437	380
Cash and cash equivalents	14	257,768	371,190	11,816	61,671
Total current assets		1,189,995	1,327,625	569,954	515,449
Total assets		2,027,798	2,059,274	1,231,673	1,181,762
Equity					
Share capital		377,501	275,120	377,501	275,120
Reserves		457,115	557,985	245,956	320,262
Total equity attributable to owners of the Company	15	834,616	833,105	623,457	595,382
Non-controlling interests	6	72,648	84,292	-	-
Total equity		907,264	917,397	623,457	595,382
Liabilities					
Deferred tax liabilities	9	12,261	5,770	-	-
Loans and borrowings	17	76,194	56,792	25,640	41,450
Total non-current liabilities		88,455	62,562	25,640	41,450
Trade and other payables, including derivatives	16	147,226	143,446	147,498	181,868
Loans and borrowings	17	883,121	933,458	435,078	363,062
Current tax liabilities		1,732	2,411	-	-
Total current liabilities		1,032,079	1,079,315	582,576	544,930
Total liabilities		1,120,534	1,141,877	608,216	586,380
Total equity and liabilities		2,027,798	2,059,274	1,231,673	1,181,762

The notes set out on pages 94 to 156 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue		2,402,283	2,538,686	433,291	453,682
Cost of goods sold		(2,130,783)	(2,259,690)	(349,355)	(407,906)
Gross profit		271,500	278,996	83,936	45,776
Other income		16,176	22,262	54,921	32,997
Distribution and selling expenses		(129,121)	(129,582)	(38,777)	(41,918)
Administrative expenses		(50,521)	(45,740)	(18,591)	(15,863)
Other expenses		(7,382)	(10,827)	(5,946)	(4,386)
Results from operating activities		100,652	115,109	75,543	16,606
Interest expense		(25,472)	(23,241)	(15,973)	(16,694)
Interest income		13,573	12,720	10,880	10,896
Operating profit	18	88,753	104,588	70,450	10,808
Share of profit of equity accounted joint venture, net of tax		7,771	6,409	-	-
Share of (loss)/profit of equity accounted associate, net of tax		(31)	322	-	-
Profit before tax		96,493	111,319	70,450	10,808
Tax expense	19	(24,530)	(18,359)	(6,703)	709
Profit for the year		71,963	92,960	63,747	11,517
Profit attributable to:					
Owners of the Company		68,568	80,835	63,747	11,517
Non-controlling interests		3,395	12,125	-	-
Profit for the year		71,963	92,960	63,747	11,517
Basic earnings per ordinary share (sen)	20	12.46	14.69		

The notes set out on pages 94 to 156 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year	71,963	92,960	63,747	11,517
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	(36,355)	12,155	-	-
Total comprehensive income for the year	35,608	105,115	63,747	11,517
Total comprehensive income attributable to:				
Owners of the Company	37,851	90,956	63,747	11,517
Non-controlling interests	(2,243)	14,159	-	-
Total comprehensive income for the year	35,608	105,115	63,747	11,517

The notes set out on pages 94 to 156 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2017

Group	Note	Attributable to owners of the Company					Non-controlling interests		
		Share capital	Share premium	Warrant reserve	Other capital reserves	Translation reserve	Retained earnings	Total	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016		275,120	68,916	33,370	30,461	(19,764)	382,998	771,101	851,704
Foreign currency translation differences for foreign operations		-	-	-	-	10,121	-	10,121	12,155
Profit for the year		-	-	-	-	-	80,835	80,835	92,960
Total comprehensive income for the year		-	-	-	-	10,121	80,835	90,956	105,115
Retained earnings reinvested as capital contribution in a subsidiary		-	-	-	10,422	-	(10,422)	-	-
Issuance of shares pursuant to the exercise of warrants	15	*0	-	-	-	-	-	*0	*0
Dividends to owners of the Company	21	-	-	-	-	-	(27,512)	(27,512)	(27,512)
Dividends to non-controlling interests	6	-	-	-	-	-	-	(2,878)	(2,878)
Changes in ownership interests in subsidiaries	6	-	-	-	-	-	(1,440)	(1,440)	(9,032)
At 31 December 2016		275,120	68,916	33,370	40,883	(9,643)	424,459	833,105	917,397
At 1 January 2017		275,120	68,916	33,370	40,883	(9,643)	424,459	833,105	917,397
Foreign currency translation differences for foreign operations		-	-	-	-	(30,717)	-	(30,717)	(36,355)
Profit for the year		-	-	-	-	-	68,568	68,568	71,963
Total comprehensive income/(loss) for the year		-	-	-	-	(30,717)	68,568	37,851	35,608
Issuance of shares pursuant to the exercise of warrants	15	95	-	-	-	-	-	95	95
Dividends to owners of the Company	21	-	-	-	-	-	(35,767)	(35,767)	(35,767)
Dividends to non-controlling interests	6	-	-	-	-	-	-	(6,856)	(6,856)
Changes in ownership interests in subsidiaries	6	-	-	-	-	-	(668)	(668)	(3,213)
Transfer of reserves upon expiry of warrants	15	33,370	-	(33,370)	-	-	-	-	-
Transfer pursuant to Companies Act 2016	15	68,916	(68,916)	-	-	-	-	-	-
At 31 December 2017		377,501	-	-	40,883	(40,360)	456,592	834,616	907,264

* 50 new ordinary shares were issued pursuant to the exercise of warrants

Statement of Changes in Equity (cont'd)

for the year ended 31 December 2017

Company	Note	Non-distributable		Warrant reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000			
At 1 January 2016		275,120	68,916	33,370	233,971	611,377
Profit for the year		-	-	-	11,517	11,517
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	11,517	11,517
Issuance of shares pursuant to the exercise of warrants		*0	-	-	-	*0
Dividends to owners of the Company	21	-	-	-	(27,512)	(27,512)
At 31 December 2016/1 January 2017		275,120	68,916	33,370	217,976	595,382
Profit for the year		-	-	-	63,747	63,747
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	63,747	63,747
Issuance of shares pursuant to the exercise of warrants		95	-	-	-	95
Transfer of reserves upon expiry of warrants		33,370	-	(33,370)	-	-
Transfer pursuant to Companies Act 2016		68,916	(68,916)	-	-	-
Dividends to owners of the Company	21	-	-	-	(35,767)	(35,767)
At 31 December 2017		377,501	-	-	245,956	623,457

* 50 new ordinary shares were issued pursuant to the exercise of warrants

The notes set out on pages 94 to 156 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		96,493	111,319	70,450	10,808
<i>Adjustments for:</i>					
Amortisation of intangible assets	4	464	257	91	61
Depreciation of investment properties	5	56	57	56	57
Depreciation of property, plant and equipment	3	52,861	47,382	15,474	15,022
Dividend income		(4)	-	(44,685)	(23,943)
Net gain on disposal of property, plant and equipment		(90)	(1,019)	(71)	(37)
Interest expense		25,472	23,241	15,973	16,694
Interest income		(13,573)	(12,720)	(10,880)	(10,896)
Property, plant and equipment written off		94	453	36	29
Share of profit of equity accounted joint venture, net of tax	7	(7,771)	(6,409)	-	-
Share of loss/(profit) of equity accounted associate, net of tax		31	(322)	-	-
Net unrealised loss/(gain) on foreign exchange		4,390	1,840	384	(515)
Operating profit before changes in working capital		158,423	164,079	46,828	7,280
Changes in working capital:					
Trade and other receivables, prepayments and other financial assets		45,954	(61,828)	(119,040)	29,620
Inventories		(52,124)	12,034	13,958	278
Biological assets		(6,729)	(3,881)	-	-
Trade and other payables and other financial liabilities		(232)	(42,327)	(33,975)	25,274
Cash generated from/(used in) operations		145,292	68,077	(92,229)	62,452
Interest paid		(25,472)	(23,241)	(15,973)	(16,694)
Interest received		13,573	12,720	10,880	10,896
Tax paid		(14,431)	(15,288)	(888)	(842)
Net cash from/(used in) operating activities		118,962	42,268	(98,210)	55,812

Statements of Cash Flows (cont'd)

for the year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Acquisition of non-controlling interests		(3,213)	(710)	(3,213)	(710)
Acquisition of intangible assets	4	(2,553)	(93)	(122)	(93)
Acquisition of property, plant and equipment	3	(172,646)	(74,624)	(12,942)	(12,744)
Increase in investment in/net advances to a joint venture		-	(2,773)	-	(2,773)
Increase in investments in subsidiaries		-	-	(666)	-
Dividend income		4	-	44,685	23,943
Proceeds from disposal of property, plant and equipment		192	2,554	79	40
Net cash (used in)/from investing activities		(178,216)	(75,646)	27,821	7,663
Cash flows from financing activities					
Proceeds from issuance of shares		95	-	95	-
Dividends paid to non-controlling interests		(6,856)	(2,878)	-	-
Dividends paid to owners of the Company		(35,767)	(27,512)	(35,767)	(27,512)
Proceeds from/(repayment of) loans and borrowings, net		14,600	153,526	56,206	(23,321)
Net cash (used in)/from financing activities		(27,928)	123,136	20,534	(50,833)
Net (decrease)/increase in cash and cash equivalents		(87,182)	89,758	(49,855)	12,642
Effect of exchange rate fluctuations on cash held		(26,240)	7,755	-	-
Cash and cash equivalents at 1 January		371,190	273,677	61,671	49,029
Cash and cash equivalents at 31 December		257,768	371,190	11,816	61,671

Cash and cash equivalents

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

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	14	232,097	291,040	3,292	36,482
Cash and bank balances	14	25,671	80,150	8,524	25,189
		257,768	371,190	11,816	61,671

The notes set out on pages 94 to 156 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 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 2017 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 an associate and a 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 23 March 2018.

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 (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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*

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

- from the annual period beginning on 1 January 2018 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, MFRS 2 and MFRS 4 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2019, except for IC Interpretation 23 and Amendments to MFRS 119 which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

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, interpretations or amendments are not expected to have any material net financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 13 – 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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

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.

Investment in an associate is 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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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 an equity accounted associate 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.

(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 to occur 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.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

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.

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.

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

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

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.

Notes to the Financial Statements (cont'd)

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 are not depreciated until the assets are ready for their intended use.

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.

Notes to the Financial Statements (cont'd)

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.

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 costs 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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(i) Biological assets (cont'd)

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 investment in an associate) 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.

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.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount 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.

(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 Company has no further payment obligations.

2. Significant accounting policies (cont'd)

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the 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, 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.

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(s) Contingencies

Contingent liabilities

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

(t) 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 is 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.

Notes to the Financial Statements (cont'd)

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 2016	77,920	416,312	440,846	37,956	94,067	1,067,101
Additions	2,221	18,995	20,362	2,915	30,131	74,624
Transfer to intangible assets	-	-	-	-	(308)	(308)
Disposals	(1,346)	(160)	(676)	(1,336)	-	(3,518)
Write-off	-	(550)	(807)	(370)	-	(1,727)
Transfers	-	-	3,690	-	(3,690)	-
Effect of movements in exchange rates	378	2,278	2,167	1,144	1,711	7,678
At 31 December 2016/ 1 January 2017	79,173	436,875	465,582	40,309	121,911	1,143,850
Additions	82	17,986	20,682	3,132	130,764	172,646
Transfer from intangible assets	-	-	-	-	14	14
Disposals	-	-	(30)	(630)	-	(660)
Write-off	-	(119)	(241)	(56)	-	(416)
Transfers	10,619	17,972	47,284	590	(76,465)	-
Effect of movements in exchange rates	(1,431)	(6,555)	(10,179)	(898)	(2,758)	(21,821)
At 31 December 2017	88,443	466,159	523,098	42,447	173,466	1,293,613

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 2016						
Accumulated depreciation	11,687	120,221	272,456	28,760	-	433,124
Accumulated impairment loss	-	3	1,209	-	-	1,212
	11,687	120,224	273,665	28,760	-	434,336
Depreciation for the year	1,073	15,958	27,299	3,052	-	47,382
Disposals	-	(29)	(667)	(1,287)	-	(1,983)
Write-off	-	(236)	(674)	(364)	-	(1,274)
Effect of movements in exchange rates	242	927	1,189	886	-	3,244
At 31 December 2016/ 1 January 2017						
Accumulated depreciation	13,002	136,841	299,603	31,047	-	480,493
Accumulated impairment loss	-	3	1,209	-	-	1,212
	13,002	136,844	300,812	31,047	-	481,705
Depreciation for the year	1,075	15,930	33,056	2,800	-	52,861
Disposals	-	-	(18)	(543)	-	(561)
Write-off	-	(60)	(206)	(56)	-	(322)
Effect of movements in exchange rates	(260)	(2,664)	(5,797)	(411)	-	(9,132)
At 31 December 2017						
Accumulated depreciation	13,817	150,047	326,638	32,837	-	523,339
Accumulated impairment loss	-	3	1,209	-	-	1,212
	13,817	150,050	327,847	32,837	-	524,551
Carrying amounts						
At 1 January 2016	66,233	296,088	167,181	9,196	94,067	632,765
At 31 December 2016/ 1 January 2017	66,171	300,031	164,770	9,262	121,911	662,145
At 31 December 2017	74,626	316,109	195,251	9,610	173,466	769,062

Notes to the Financial Statements (cont'd)

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 2016	25,039	203,815	162,853	13,968	15,112	420,787
Additions	-	481	6,065	99	6,099	12,744
Disposals	-	-	(572)	(723)	-	(1,295)
Write-off	-	(16)	(242)	(370)	-	(628)
Transfers	-	-	3,124	-	(3,124)	-
At 31 December 2016/ 1 January 2017	25,039	204,280	171,228	12,974	18,087	431,608
Additions	-	2,227	5,023	431	5,261	12,942
Disposals	-	-	(19)	(388)	-	(407)
Write-off	-	(32)	(142)	-	-	(174)
Transfers	-	1,388	6,965	-	(8,353)	-
At 31 December 2017	25,039	207,863	183,055	13,017	14,995	443,969
Depreciation						
At 1 January 2016	4,479	45,082	97,097	12,600	-	159,258
Depreciation for the year	367	4,072	10,015	568	-	15,022
Disposals	-	-	(572)	(720)	-	(1,292)
Write-off	-	(6)	(229)	(364)	-	(599)
At 31 December 2016/ 1 January 2017	4,846	49,148	106,311	12,084	-	172,389
Depreciation for the year	360	4,104	10,600	410	-	15,474
Disposals	-	-	(11)	(388)	-	(399)
Write-off	-	(6)	(132)	-	-	(138)
At 31 December 2017	5,206	53,246	116,768	12,106	-	187,326
Carrying amounts						
At 1 January 2016	20,560	158,733	65,756	1,368	15,112	261,529
At 31 December 2016/ 1 January 2017	20,193	155,132	64,917	890	18,087	259,219
At 31 December 2017	19,833	154,617	66,287	911	14,995	256,643

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

3.1 Land

Included in the total carrying amounts of land are:

	2017 RM'000	2016 RM'000
Group		
Freehold land	31,682	21,821
Short term leasehold land (less than 50 years)	5,143	5,999
Long term leasehold land (50 years or more)	37,801	38,351
	74,626	66,171
Company		
Long term leasehold land (50 years or more)	19,833	20,193

Legal titles to certain leasehold land of the Group with a carrying amount of RM6,275,000 (2016: RM7,045,000) have yet to be received from the state authorities.

4. Intangible assets

	Computer software Group RM'000	Company RM'000
Cost		
At 1 January 2016	8,648	5,259
Additions	93	93
Write-off	(23)	-
Transfer from property, plant and equipment	308	-
Effect of movements in exchange rates	117	-
At 31 December 2016/1 January 2017	9,143	5,352
Additions	2,553	122
Transfer to property, plant and equipment	(14)	-
Effect of movements in exchange rates	(322)	-
At 31 December 2017	11,360	5,474

Notes to the Financial Statements (cont'd)

4. Intangible assets (cont'd)

	Computer software Group RM'000	Company RM'000
Amortisation		
At 1 January 2016	7,878	5,149
Amortisation for the year	257	61
Write-off	(23)	-
Effect of movements in exchange rates	88	-
At 31 December 2016/1 January 2017	8,200	5,210
Amortisation for the year	464	91
Effect of movements in exchange rates	(255)	-
At 31 December 2017	8,409	5,301
Carrying amounts		
At 1 January 2016	770	110
At 31 December 2016/1 January 2017	943	142
At 31 December 2017	2,951	173

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.

5. Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 January 2016/31 December 2016/ 1 January 2017/31 December 2017	3,943	2,836	6,779
Depreciation			
At 1 January 2016	-	1,499	1,499
Depreciation for the year	-	57	57
At 31 December 2016/1 January 2017	-	1,556	1,556
Depreciation for the year	-	56	56
At 31 December 2017	-	1,612	1,612
Carrying amounts			
At 1 January 2016	3,943	1,337	5,280
At 31 December 2016/1 January 2017	3,943	1,280	5,223
At 31 December 2017	3,943	1,224	5,167
Company			
Cost			
At 1 January 2016/31 December 2016/ 1 January 2017/31 December 2017	3,672	2,836	6,508
Depreciation			
At 1 January 2016	-	1,499	1,499
Depreciation for the year	-	57	57
At 31 December 2016/1 January 2017	-	1,556	1,556
Depreciation for the year	-	56	56
At 31 December 2017	-	1,612	1,612
Carrying amounts			
At 1 January 2016	3,672	1,337	5,009
At 31 December 2016/1 January 2017	3,672	1,280	4,952
At 31 December 2017	3,672	1,224	4,896

Notes to the Financial Statements (cont'd)

5. Investment properties (cont'd)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income	370	361	405	397
Direct operating expenses of investment properties:				
- income generating investment properties	44	45	51	52

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3		Company Level 3	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Land and buildings	108,165	108,165	104,365	104,365

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Valuation processes applied by the Group for level 3 fair value

The level 3 fair values of investment properties are determined by external, independent property valuers. The valuation company provides the fair value estimates of the Group's investment property. Changes in fair values are analysed by the management after obtaining valuation quotation from the valuation company.

6. Investments in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
At cost		
Unquoted shares in Malaysia	234,927	231,048
Less: Accumulated impairment losses	(1,360)	(1,360)
	233,567	229,688
Unquoted shares outside Malaysia	88,610	88,610
	322,177	318,298

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

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
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	93	88
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	100	99
Vimaflour Ltd*# (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
MFM Property Sdn. Bhd.	Investment holding	100	100
Semakin Dinamik Sdn. Bhd.	Dormant	100	100

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2017 %	2016 %
MFM Ltd. €	Dormant	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
AVIOTA Sdn. Bhd. @	Dormant	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 PLT

^ One (1) unit of ordinary share is held by a third party which has no voting rights nor entitled to any dividends, rights, allotments or other forms of distribution

@ AVIOTA Sdn. Bhd. was incorporated on 29 December 2016. Subsequently, on 18 January 2017, AVIOTA Sdn. Bhd. became wholly owned by the Company upon subscription of RM2, divided into 2 ordinary shares. On 18 May 2017, the Company increased its investment in AVIOTA Sdn. Bhd. from RM2 to RM350,000 by subscribing in cash of RM349,998, divided into 349,998 ordinary shares.

€ On 20 April 2017, the Company increased its investment in MFM Ltd. from USD100 to USD71,529 by subscribing in cash of USD71,429, divided into 71,429 ordinary shares.

6.1 Acquisition of non-controlling interests

On 6 October 2017, the Company had acquired an additional 1.11% equity interest in its subsidiary, Dindings Poultry Processing Sdn Bhd ("DPP") comprising 600,000 ordinary shares ("DPP Shares") for a cash consideration of RM816,000. Following the transfer of shares, DPP became a wholly-owned subsidiary of the Company.

6. Investments in subsidiaries (cont'd)

6.1 Acquisition of non-controlling interests (cont'd)

On 31 October 2017, the Company had acquired an additional 5.22% equity interest in its subsidiary, Dindings Soya & Multifeeds Sdn Berhad ("DSM") comprising 1,858,334 ordinary shares ("DSM Shares") for a cash consideration of RM2,397,251. Following the transfer of shares, the Company has increased its effective ownership interest in DSM to 93%.

6.2 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 the above. 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
2017			
Carrying amount of NCI	64,677	7,971	72,648
Comprehensive (losses)/income allocated to NCI	(2,401)	158	(2,243)

2016			
Carrying amount of NCI	73,935	10,357	84,292
Comprehensive income allocated to NCI	13,593	566	14,159

	Subsidiaries with material NCI	
	2017 RM'000	2016 RM'000
Summarised financial information before intra-group elimination As at 31 December		
Non-current assets	82,744	92,363
Current assets	462,874	523,884
Current liabilities	(347,735)	(392,144)
Net assets	197,883	224,103

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries (cont'd)

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

	Subsidiaries with material NCI	
	2017 RM'000	2016 RM'000
Year ended 31 December		
Revenue	951,319	1,022,088
Profit for the year	15,559	36,205
Total comprehensive income	(3,236)	42,980
Cash flows from/(used in) operating activities	114,196	(74,454)
Cash flows used in investing activities	(7,911)	(25,606)
Cash flows (used in)/from financing activities	(94,583)	116,993
Net increase in cash and cash equivalents	11,702	16,933
Dividends paid to NCI	6,856	2,878

7. Investment in a joint venture

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares				
- outside Malaysia	77,531	77,531	77,531	77,531
Share of post-acquisition reserves	(30,314)	(32,968)	-	-
	47,217	44,563	77,531	77,531

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

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	
	2017	2016
	%	%
Percentage of ownership interest	30	30
Summarised financial information	RM'000	RM'000
As at 31 December		
Non-current assets	237,852	268,084
Current assets	291,498	225,451
Non-current liabilities	(4,956)	(5,868)
Current liabilities	(367,006)	(339,125)
Net assets	157,388	148,542
Year ended 31 December		
Revenue	994,539	539,991
Profit for the year	25,904	21,364
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	47,217	44,563
Carrying amount in the balance sheet	47,217	44,563
Group's share of results for year ended 31 December		
Group's share of profit from continuing operations	7,771	6,409

Notes to the Financial Statements (cont'd)

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

Contingent liabilities

Since the last annual balance sheet as at 31 December 2016, the Company had been discharged from its obligations under the corporate guarantee of USD10.5 million in accordance with terms and conditions of the corporate guarantee. In the same period, the Company had provided a new proportionate corporate guarantee of USD6.0 million for financing facilities granted by another financial institution to the joint venture company, PT Bungasari Flour Mills Indonesia.

During the year 2017, the Indonesian tax authority having performed a tax audit in relation to its Value-added Tax ("VAT") has issued a notification letter imposing a total sum of RM17.1 million (tax and penalty) on PT Bungasari Flour Mills Indonesia on the basis of overclaimed VAT for the year 2015. The tax authority is currently reviewing the VAT claimed for year 2016 and has yet to finalise the review. The Group's 30% share of the potential liabilities is RM5.1 million for the year 2015. PT Bungasari Flour Mills Indonesia has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. On that basis, the Board concurs with the view that no additional provision is required in the financial statements for the potential tax liabilities up to the reporting date.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

8. Investment in an associate

	2017 RM'000	Group 2016 RM'000
At cost		
Unquoted shares		
- outside Malaysia	1,120	1,120
Share of post-acquisition reserves	(13)	(128)
	1,107	992

Details of the associate are as follows:

Name of entity	Principal place of business/country of incorporation	Nature of the relationship	Effective ownership interest	
			2017 %	2016 %
Freeman Properties Holding Ltd. (Held through MFM Property Sdn. Bhd.)	Cambodia	Investment	49	49

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment	-	-	(42,142)	(35,902)	(42,142)	(35,902)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	5,635	1,832	-	-	5,635	1,832
Reinvestment allowances	11,676	11,676	-	-	11,676	11,676
Unabsorbed capital allowances	15,014	18,447	-	-	15,014	18,447
Tax loss carry-forwards	16,322	16,557	-	-	16,322	16,557
Others	-	196	(5,674)	-	(5,674)	196
Tax assets/(liabilities)	48,647	48,708	(50,822)	(38,908)	(2,175)	9,800
Set off of tax	(38,561)	(33,138)	38,561	33,138	-	-
Net tax assets/(liabilities)	10,086	15,570	(12,261)	(5,770)	(2,175)	9,800
Company						
Property, plant and equipment	-	-	(20,927)	(19,388)	(20,927)	(19,388)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	2,452	1,598	-	-	2,452	1,598
Reinvestment allowances	11,676	11,676	-	-	11,676	11,676
Unabsorbed capital allowances	10,151	12,228	-	-	10,151	12,228
Others	-	3,063	(47)	-	(47)	3,063
Tax assets/(liabilities)	24,279	28,565	(23,980)	(22,394)	299	6,171
Set off of tax	(23,980)	(22,394)	23,980	22,394	-	-
Net tax assets	299	6,171	-	-	299	6,171

Notes to the Financial Statements (cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	2016 RM'000
Taxable temporary differences	5,624	-
Unabsorbed capital allowances	311	311
Tax loss carry-forwards	2,000	3,082
	7,935	3,393

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 a subsidiary of 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 RM49,000,000 (2016: RM49,000,000) 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. Other investment

Group	Unquoted shares RM'000
2017	
Non-current	
Available-for-sale financial assets	2,213
2016	
Non-current	
Available-for-sale financial assets	2,213

Other investment relates to unquoted shares previously held in an associate of which a Share Sale Agreement was signed with a third party on 5 September 2016 to dispose the shares in 2020. The Group had lost its significant influence since the date of the Share Sale Agreement.

11. Trade and other receivables, including derivatives

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables		294,750	334,216	67,761	69,138
Amount due from subsidiaries	11.1	-	-	344,712	222,466
Other receivables	11.2	76,678	89,581	5,552	7,907
Deposits		1,704	3,554	1,048	1,101
Financial assets at fair value through profit or loss:					
- foreign currency forward contracts		-	15,766	-	779
		373,132	443,117	419,073	301,391

11.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, repayable on demand and interest bearing (2016: interest bearing).

11.2 Other receivables

Included in other receivables of the Group are advances paid to suppliers of RM47,620,000 (2016: RM52,408,000) and interest receivable from the deposits placed with licensed banks of RM2,504,000 (2016: RM3,791,000).

12. Inventories

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Raw materials	431,972	396,446	121,533	138,006
Finished goods	34,231	30,163	9,511	6,799
Consumables	26,815	28,537	4,200	4,397
	493,018	455,146	135,244	149,202

Notes to the Financial Statements (cont'd)

13. Biological assets

	Group	
	2017 RM'000	2016 RM'000
Broiler inventories	24,762	25,011
Parent stock	27,505	18,351
Hatching eggs	4,406	6,582
	56,673	49,944

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

	Group	
	2017 RM'000	2016 RM'000
Reconciliation of changes in the carrying value		
At 1 January	49,944	46,063
Additions	492,376	479,033
Fair value measurement	8,192	5,154
Sales	(493,839)	(480,306)
At 31 December	56,673	49,944

14. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	232,097	291,040	3,292	36,482
Cash and bank balances	25,671	80,150	8,524	25,189
	257,768	371,190	11,816	61,671

15. Capital and reserves

Share capital

	Group and Company			
	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Issued and fully paid:				
Ordinary shares				
At 1 January	275,120	550,239	275,120	550,239
Shares issued pursuant to the exercise of warrants	95	46	*0	*0
Transfer of reserves upon expiry of warrants	33,370	-	-	-
Transfer pursuant to Companies Act 2016	68,916	-	-	-
At 31 December	377,501	550,285	275,120	550,239

* 50 new ordinary shares were issued pursuant to the exercise of warrants

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

In the previous financial year, the Company issued 50 new ordinary shares for cash arising from the exercise of warrants at an exercise price of RM2.06 per ordinary share.

During the financial year, the Company issued 46,330 new ordinary shares for cash arising from the exercise of warrants at an exercise price of RM2.06 per ordinary share.

The new Companies Act 2016 ("the Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Pursuant to Section 74 of the Act, all shares issued before or upon the commencement of the Act shall have no par or nominal value.

There is no impact on the number of ordinary shares in issue or the entitlement of the members of the Company as a result of this transition.

Share premium

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

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, during the period, the Company transferred the credit standing in the share premium account of RM68,916,000 to the share capital account pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the entitlement of the members of the Company as a result of this transition.

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

Notes to the Financial Statements (cont'd)

15. Capital and reserves (cont'd)

Warrant reserve

The Warrants are constituted by a 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.

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

	Number of Warrants
At 1 January 2016	107,639,556
Exercised during the year	(50)
At 31 December 2016/1 January 2017	107,639,506
Exercised during the year	(46,330)
Expired during the year	(107,593,176)
At 31 December 2017	-

During the financial year, 46,330 warrants were exercised up to 9 May 2017, the expiry date of the warrants ["Expiry Date"] which resulted in 46,330 new ordinary shares at the issue price of RM2.06 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities.

15. Capital and reserves (cont'd)

Warrant reserve (cont'd)

As at the Expiry Date, 107,593,176 warrants which remained unexercised ["Unexercised Warrants"] became null, void and ceased to be exercisable. The Unexercised Warrants were removed from the official list of Bursa Securities with effect from 11 May 2017.

As at the Expiry Date of the warrants on 9 May 2017, the warrant reserves were transferred to share capital account.

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.

16. Trade and other payables, including derivatives

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables		75,038	65,877	6,627	5,787
Amount due to subsidiaries	16.1	-	-	119,545	148,039
Other payables and accruals	16.2	66,329	61,292	19,566	15,076
Financial liabilities at fair value through profit or loss:					
- future and option contracts		119	16,277	-	12,966
- foreign currency forward contracts		5,740	-	1,760	-
		147,226	143,446	147,498	181,868

16.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, repayable on demand and interest bearing (2016: interest bearing).

16.2 Other payables and accruals

Included in other payables and accruals of the Group and of the Company are deposits from customers of RM15,224,000 (2016: RM15,161,000) and RM208,000 (2016: RM206,000) respectively.

Notes to the Financial Statements (cont'd)

17. Loans and borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Unsecured term loans	76,194	56,792	25,640	41,450
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	863,761	914,748	415,718	344,352
Unsecured term loans	19,360	18,710	19,360	18,710
	883,121	933,458	435,078	363,062
Total loans and borrowings	959,315	990,250	460,718	404,512

Included in the Group's and the Company's loans and borrowings are unsecured bankers' acceptances/ unsecured revolving credits denominated in USD of RM529,657,000 (2016: RM602,886,000) and RM198,044,000 (2016: RM143,552,000) respectively.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	As at 1 January 2017 RM'000	Group Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	As at 31 December 2017 RM'000	As at 1 January 2017 RM'000	Company Net changes from financing cash flows RM'000	As at 31 December 2017 RM'000
Non-current							
Unsecured term loans	56,792	19,402	-	76,194	41,450	(15,810)	25,640
Current							
Unsecured bankers' acceptances/ Unsecured revolving credits	914,748	(5,452)	(45,535)	863,761	344,352	71,366	415,718
Unsecured term loans	18,710	650	-	19,360	18,710	650	19,360
	933,458	(4,802)	(45,535)	883,121	363,062	72,016	435,078
Total liabilities from financing activities	990,250	14,600	(45,535)	959,315	404,512	56,206	460,718

18. Operating profit

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating profit is arrived at after charging:					
Amortisation of intangible assets	4	464	257	91	61
Auditors' remuneration:					
- Audit services					
KPMG		339	330	95	95
Affiliates of KPMG		128	104	-	-
Other auditors		13	12	-	-
- Non-audit services					
KPMG		17	27	17	27
Affiliates of KPMG		254	109	172	27
Depreciation of investment properties	5	56	57	56	57
Depreciation of property, plant and equipment	3	52,861	47,382	15,474	15,022
Impairment loss of trade receivables		667	1,669	-	573
Interest expense from:					
- unsecured bankers' acceptances/unsecured revolving credits		22,873	20,074	10,177	10,007
- unsecured term loans		2,599	3,167	810	1,218
- subsidiaries		-	-	4,986	5,469
Net unrealised loss on future and option contracts		-	2,915	-	-
Net realised loss on future and option contracts		7,515	20,638	7,856	23,884
Net unrealised loss on foreign exchange		4,390	1,840	384	-
Net realised loss on foreign exchange		2,232	4,307	3,343	3,774
Personnel expense (including key management personnel):					
- Contributions to Employees Provident Fund		10,922	11,042	4,463	4,941
- Wages, salaries and others		117,753	107,264	40,946	39,161
Property, plant and equipment written off		94	453	36	29
Rental expenses for premises		4,759	4,536	1,703	1,602

Notes to the Financial Statements (cont'd)

18. Operating profit (cont'd)

Note	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
and after crediting:				
Bad debts recovered	-	1,215	-	-
Dividends from subsidiaries (unquoted):				
- tax exempt	-	-	44,681	23,943
Dividends from unquoted shares	4	-	4	-
Insurance recoveries	1,744	6,861	596	503
Interest income from:				
- deposit placed with licensed banks	13,565	12,720	893	1,431
- subsidiaries	-	-	9,987	9,465
- trade debtors	8	-	-	-
Net fair value gain on biological assets	8,192	5,154	-	-
Net gain on disposal of property, plant and equipment	90	1,019	71	37
Net unrealised gain on future and option contracts	16,158	-	12,966	396
Net unrealised gain on foreign exchange	-	-	-	515
Rental income from:				
- investment properties	370	361	405	397
- others	41	-	4,811	4,844
Reversal of impairment loss of trade receivables	495	185	273	-

19. Tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Recognised in the income statements				
Current tax expense				
Malaysian - current year	1,839	3,877	858	1,214
- prior year	715	171	(27)	(158)
Overseas - current year	8,463	11,340	-	-
- prior year	1,537	63	-	-
Total current tax expense	12,554	15,451	831	1,056
Deferred tax expense				
Origination and reversal of temporary differences	11,158	4,920	6,367	(1,537)
Under/(Over) provision in prior year	818	(2,012)	(495)	(228)
Total deferred tax expense	11,976	2,908	5,872	(1,765)
Total tax expense	24,530	18,359	6,703	(709)
Reconciliation of tax expense				
Profit for the year	71,963	92,960	63,747	11,517
Total tax expense	24,530	18,359	6,703	(709)
Profit before tax	96,493	111,319	70,450	10,808
Tax at Malaysian tax rate of 24%	23,158	26,717	16,908	2,594
Effect of tax rates in foreign jurisdiction	(2,630)	(3,640)	-	-
Non-deductible expenses	307	1,576	1,299	4,093
Non-taxable income	-	-	(10,724)	(7,010)
Recognition of previously unrecognised deferred tax assets	(1,144)	(4,516)	-	-
Current year losses for which no deferred tax asset was recognised	2,234	-	-	-
Others	(465)	-	(258)	-
Under/(Over) provision in prior year	21,460	20,137	7,225	(323)
	3,070	(1,778)	(522)	(386)
	24,530	18,359	6,703	(709)

Notes to the Financial Statements (cont'd)

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the financial year ended 31 December 2017 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	
	2017 RM'000	2016 RM'000
Profit attributable to ordinary shareholders of the Company	68,568	80,835
	'000	'000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	550,239	550,239
Effect of ordinary shares issued during the financial year	31	*0
	550,270	550,239
Basic earnings per ordinary share (sen)	12.46	14.69

* 50 new ordinary shares were issued pursuant to the exercise of warrants

Diluted earnings per ordinary share

The Company does not have any diluted earnings per share as at 31 December 2017. In 2016, the Company's warrants were in anti-dilutive position.

21. Dividends

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2017			
Interim 2017 ordinary	3.00	16,509	19 September 2017
Second interim 2016 ordinary	3.50	19,258	24 March 2017
		35,767	
2016			
Interim 2016 ordinary	3.00	16,507	15 September 2016
Second interim 2015 ordinary	2.00	11,005	25 March 2016
		27,512	

On 28 February 2018, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,260,000 in respect of the financial year ended 31 December 2017, which will be paid on 30 March 2018.

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

22. 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 grains trading 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 and dormant companies. None of these segments meets any of the quantitative threshold for determining reportable segments in 2017 or 2016.

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.

Notes to the Financial Statements (cont'd)

22. Operating segments (cont'd)

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

	Flour and grains trading		Poultry integration		Others		Eliminations		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Business segments										
Revenue from external customers	1,640,932	1,735,377	761,351	803,309	-	-	-	-	2,402,283	2,538,686
Inter-segment revenue	35,139	52,471	40,334	21,830	-	-	(75,473)	(74,301)	-	-
Total segment revenue	1,676,071	1,787,848	801,685	825,139	-	-	(75,473)	(74,301)	2,402,283	2,538,686
Results from operating activities	63,606	53,684	37,100	61,454	(54)	(29)	-	-	100,652	115,109
Interest expense	(24,707)	(23,355)	(15,647)	(14,820)	-	-	14,882	14,934	(25,472)	(23,241)
Interest income	23,603	23,168	4,852	4,486	-	-	(14,882)	(14,934)	13,573	12,720
Share of profit of equity accounted joint venture, net of tax	7,771	6,409	-	-	-	-	-	-	7,771	6,409
Share of (loss)/profit of equity accounted associate, net of tax	(31)	322	-	-	-	-	-	-	(31)	322
Profit/(Loss) before tax	70,242	60,228	26,305	51,120	(54)	(29)	-	-	96,493	111,319
Depreciation and amortisation	(27,024)	(22,523)	(26,353)	(25,173)	(4)	-	-	-	(53,381)	(47,696)
Tax expense	(16,004)	(11,678)	(8,526)	(6,681)	-	-	-	-	(24,530)	(18,359)
Insurance recoveries	1,437	1,530	307	5,331	-	-	-	-	1,744	6,861
Non-cash expenses other than depreciation and amortisation	8,319	(2,042)	3,109	(3,476)	-	-	-	-	11,428	(5,518)
Capital expenditure	(27,540)	(34,930)	(147,604)	(39,787)	(55)	-	-	-	(175,199)	(74,717)
Segment assets	1,273,571	1,536,587	705,370	466,067	533	11,065	-	-	1,979,474	2,013,719
Investment in a joint venture	47,217	44,563	-	-	-	-	-	-	47,217	44,563
Investment in an associate	-	-	-	-	1,107	992	-	-	1,107	992
Total segments assets	1,320,788	1,581,150	705,370	466,067	1,640	12,057	-	-	2,027,798	2,059,274

22. Operating segments (cont'd)

Geographical segments

	Malaysia		Vietnam		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue from external customers	1,655,297	1,794,445	746,986	744,241	2,402,283	2,538,686
Non-current assets	722,970	607,695	114,833	123,954	837,803	731,649

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 2017 (2016: Nil).

23. Financial instruments

23.1 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);
- (c) Available-for-sale financial assets (AFS); and
- (d) Financial liabilities measured at amortised cost (FL).

2017 Financial assets	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Group					
Other investment	10	2,213	-	-	2,213
Trade and other receivables, including derivatives	11	373,132	373,132	-	-
Cash and cash equivalents	14	257,768	257,768	-	-
		633,113	630,900	-	2,213
Company					
Trade and other receivables, including derivatives	11	419,073	419,073	-	-
Cash and cash equivalents	14	11,816	11,816	-	-
		430,889	430,889	-	-

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2017 Financial liabilities	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Group					
Trade and other payables, including derivatives	16	(147,226)	(141,367)	(5,859)	-
Loans and borrowings	17	(959,315)	(959,315)	-	-
		(1,106,541)	(1,100,682)	(5,859)	-
Company					
Trade and other payables, including derivatives	16	(147,498)	(145,738)	(1,760)	-
Loans and borrowings	17	(460,718)	(460,718)	-	-
		(608,216)	(606,456)	(1,760)	-

2016 Financial assets	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Group					
Other investment	10	2,213	-	-	2,213
Trade and other receivables, including derivatives	11	443,117	427,351	15,766	-
Cash and cash equivalents	14	371,190	371,190	-	-
		816,520	798,541	15,766	2,213
Company					
Trade and other receivables, including derivatives	11	301,391	300,612	779	-
Cash and cash equivalents	14	61,671	61,671	-	-
		363,062	362,283	779	-

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2016 Financial liabilities	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Group					
Trade and other payables, including derivatives	16	(143,446)	(127,169)	(16,277)	-
Loans and borrowings	17	(990,250)	(990,250)	-	-
		(1,133,696)	(1,117,419)	(16,277)	-
Company					
Trade and other payables, including derivatives	16	(181,868)	(168,902)	(12,966)	-
Loans and borrowings	17	(404,512)	(404,512)	-	-
		(586,380)	(573,414)	(12,966)	-

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	(21,316)	14,963	(2,539)	759
- future and option contracts	8,643	(23,553)	5,109	(23,488)
Loans and receivables	13,401	11,050	11,152	10,321
Financial liabilities measured at amortised cost	(10,778)	(44,351)	(17,160)	(20,712)
	(10,050)	(41,891)	(3,438)	(33,120)

23.3 Financial risk management

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

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.4 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.

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 RM3,757,000 (2016: RM314,000) and RM137,000 (2016: Nil), respectively.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	215,480	252,640	67,761	69,138
Vietnam	79,270	81,576	-	-
	294,750	334,216	67,761	69,138

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	3,359	3,368	652	531
Impairment loss recognised	667	1,669	-	573
Impairment loss reversed	(495)	(185)	(273)	-
Impairment loss written off	(27)	(1,534)	-	(452)
Effect of movements in exchange rates	(86)	41	-	-
At 31 December	3,418	3,359	379	652

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.

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 USD6.0 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.

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

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 were not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries.

23.5 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.

Exposure to interest rate risk

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

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	14	232,097	291,040	3,292	36,482
Unsecured bankers' acceptances/Unsecured revolving credits	17	(863,761)	(914,748)	(415,718)	(344,352)
		(631,664)	(623,708)	(412,426)	(307,870)
Floating rate instruments					
Unsecured term loans	17	(95,554)	(75,502)	(45,000)	(60,160)

23. Financial instruments (cont'd)

23.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

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

	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				
2017				
Floating rate instruments	(363)	363	(363)	363
2016				
Floating rate instruments	(287)	287	(287)	287
Company				
2017				
Floating rate instruments	(171)	171	(171)	171
2016				
Floating rate instruments	(228)	228	(228)	228

23.6 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).

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.6 Foreign currency risk (cont'd)

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The Group's and 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:

	Note	Denominated in USD	
		2017 RM'000	2016 RM'000
Group			
Unsecured bankers' acceptances/ Unsecured revolving credits	17	(529,657)	(602,886)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	11	-	15,766
Financial liabilities at fair value through profit or loss:			
- foreign currency forward contracts	16	(5,740)	-
		(535,397)	(587,120)
Company			
Unsecured bankers' acceptances/ Unsecured revolving credits	17	(198,044)	(143,552)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	11	-	779
Financial liabilities at fair value through profit or loss:			
- foreign currency forward contracts	16	(1,760)	-
		(199,804)	(142,773)

Currency risk sensitivity analysis

A 5 percent (2016: 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.

23. Financial instruments (cont'd)

23.6 Foreign currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

	2017		2016	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	(6,492)	6,492	(6,846)	6,846
Company				
USD	1,186	(1,186)	232	(232)

23.7 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 their liabilities when they fall due.

Maturity analysis

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

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
2017							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	141,367	-	141,367	141,367	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	863,761	1.93 – 4.50	871,345	871,345	-	-
Unsecured term loans	17	95,554	4.57 – 4.97	104,496	23,520	68,170	12,806

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

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
2017							
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	16	5,740	-	367,224	367,224	-	-
Inflow	16	-	-	(361,484)	(361,484)	-	-
Future and option contracts (gross settled):							
Outflow	16	119	-	11,973	11,973	-	-
Inflow	16	-	-	(11,854)	(11,854)	-	-
		1,106,541		1,123,067	1,042,091	68,170	12,806
2016							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	127,169	-	127,169	127,169	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	914,748	1.41 – 4.05	922,352	922,352	-	-
Unsecured term loans	17	75,502	4.78 – 4.95	82,549	22,279	39,630	20,640
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	427,112	427,112	-	-
Inflow	11	(15,766)	-	(442,878)	(442,878)	-	-
Future and option contracts (gross settled):							
Outflow	16	16,277	-	217,684	217,684	-	-
Inflow	16	-	-	(201,407)	(201,407)	-	-
		1,117,930		1,132,581	1,072,311	39,630	20,640

23. Financial instruments (cont'd)

23.7 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
2017							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	145,738	-	145,738	145,738	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	415,718	2.24 – 4.15	418,887	418,887	-	-
Unsecured term loans	17	45,000	4.57 – 4.97	47,755	21,050	24,460	2,245
<i>Derivative financial liabilities</i>							
<i>Foreign currency forward contracts (gross settled):</i>							
Outflow	16	1,760	-	229,245	229,245	-	-
Inflow	16	-	-	(227,485)	(227,485)	-	-
		608,216		614,140	587,435	24,460	2,245

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.7 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
2016							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	168,902	-	168,902	168,902	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	344,352	1.42 – 4.05	347,393	347,393	-	-
Unsecured term loans	17	60,160	4.88 – 4.93	64,570	21,172	38,164	5,234
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	149,659	149,659	-	-
Inflow	11	(779)	-	(150,438)	(150,438)	-	-
Future and option contracts (gross settled):							
Outflow	16	12,966	-	130,091	130,091	-	-
Inflow	16	-	-	(117,125)	(117,125)	-	-
		585,601		593,052	549,654	38,164	5,234

23. Financial instruments (cont'd)

23.8 Fair value information

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

It was not practicable to estimate the fair value of the Group'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.

Level 3 fair values of long term loans not carried at fair value approximate its carrying amount. Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

23.8.1 Fair value hierarchy

Fair value of financial instruments carried at fair value

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
2017			
Financial liability			
Foreign currency forward contracts	-	5,740	5,740
Future and option contracts	119	-	119
	119	5,740	5,859
2016			
Financial assets			
Foreign currency forward contracts	-	15,766	15,766
Financial liability			
Future and option contracts	16,277	-	16,277
Company			
2017			
Financial liability			
Foreign currency forward contracts	-	1,760	1,760
2016			
Financial asset			
Foreign currency forward contracts	-	779	779
Financial liability			
Future and option contracts	12,966	-	12,966

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.8.1 Fair value hierarchy (cont'd)

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 (2016: no transfer in either directions).

24. 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 as at 31 December 2017 and 31 December 2016 were as follows:

	Note	Group 2017 RM'000	2016 RM'000
Total borrowings	17	959,315	990,250
Less: Cash and cash equivalents	14	(257,768)	(371,190)
Net debt		701,547	619,060
Total equity		907,264	917,397
Debt-to-equity ratio		0.77	0.67

25. Capital and other commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment				
Authorised but not contracted for	191,480	575,964	-	-
Contracted but not provided for	400,215	118,300	9,633	7,994
Investment in a joint venture				
Authorised but not contracted for	17,060	-	17,060	-

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, joint venture, associate and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company other than as disclosed elsewhere in the financial statements, are shown below. The balances related to the below transactions are shown in Note 11 and Note 16.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
A. Subsidiaries				
Sales of goods	-	-	41,477	42,923
Rental of premises	-	-	90	90
Rental of furniture and fittings	-	-	147	147
Rental of equipment	-	-	4,589	4,610
Rental of motor vehicles	-	-	20	33
Interest income	-	-	9,987	9,465
Interest expense	-	-	(4,986)	(5,469)
B. Key management personnel				
Directors				
- Fees	920	880	881	840
- Remuneration	5,655	4,841	4,653	3,911
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	432	278	321	181
Total short-term employee benefits	7,007	5,999	5,855	4,932

Notes to the Financial Statements (cont'd)

27. Subsequent events

On 30 January 2018, Dindings Poultry Development Centre Sdn. Bhd. ("DPDC") entered into a Business Transfer Agreement with MFM Feedmill Sdn. Bhd. ("MFMF") to acquire the entire business of MFMF ("Business") for a total consideration equal to the value of the Net Assets of the Business as at 31 March 2018 ("Consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share. Accordingly, the Company will assume the obligation of DPDC to pay MFMF for the value of the Consideration.

On 30 January 2018, DPDC also entered into a Business Transfer Agreement with Dindings Soya & Multifeeds Sdn. Berhad ("DSM") to acquire the poultry feed business undertaken by DSM ("Business") for a total consideration equal to the value of the Net Assets of the Business as at 31 March 2018 ("Consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share. Accordingly, the Company will assume the obligation of DPDC to pay DSM for the value of the Consideration.

On 27 February 2018, the Company increased its investment in a joint venture, PT Bungasari Flour Mills Indonesia by subscribing 30% of the additional 6,400 shares of USD1,000 each for a cash consideration of approximately USD1.9 million.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 86 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Director

Teh Wee Chye
Director

Kuala Lumpur
23 March 2018

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Cheang Kiat Cheong**, 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 86 to 156 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Cheang Kiat Cheong, at Kuala Lumpur in the State of Wilayah Persekutuan on 23 March 2018.

Cheang Kiat Cheong

Before me:

D. Selvaraj (W320)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report to the members of Malayan Flour Mills Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malayan Flour Mills Berhad, which comprise the balance sheets as at 31 December 2017 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment on the valuation of biological assets

Refer to Note 2(i) – Significant accounting policies: Biological assets and Note 13 – Biological assets.

The key audit matter

The Group's biological assets comprise broiler inventories, parent stock and hatching eggs. These biological assets are recorded at fair value.

We have identified the valuation of parent stock as a key audit matter as the estimation of the fair value of parent stock involved complex judgments and assumptions over the life span and production efficiency of the parent stock.

Independent Auditors' Report (cont'd) to the members of Malayan Flour Mills Berhad

Key Audit Matters (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

Assessed the reasonableness of the key assumptions used in the fair valuation model, in particular, those relating to the egg producing life span of the parent stock, selling prices of broilers and the costs expected to arise throughout the life of the parent stock and broilers by comparing to externally derived data as well as our own assessments which took into account historical trends, industry data and other corroborative evidence available.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report (cont'd) to the members of Malayan Flour Mills Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya
23 March 2018

Chua See Guan
Approval Number: 03169/02/2019 J
Chartered Accountant

Analysis of Shareholdings

As at 30 March 2018

Share Capital - RM377,501,336
Class and Number of Issued Shares - 550,285,390 ordinary shares

8,964 shareholders

Voting rights: One vote for one share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	1,494	16.67	16,133	0.00
100 to 1,000	984	10.98	631,389	0.12
1,001 - 10,000	4,187	46.71	20,879,646	3.79
10,001 - 100,000	2,023	22.57	59,209,506	10.76
100,001 to less than 5% of issued shares	271	3.02	299,663,243	54.46
5% and above of issued shares	5	0.05	169,885,473	30.87
	8,964	100.00	550,285,390	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	8.72
2. Duangmanee Liewphairatana	32,880,875	5.98
3. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	31,970,226	5.81
4. Yong Kok Yian	28,534,372	5.19
5. Teh Wee Chye	28,500,000	5.18
6. Thye Nam Loong Holdings Sdn Bhd	26,916,410	4.89
7. Astar Commercial Limited	23,815,000	4.33
8. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	17,502,860	3.18
9. Zalaraz Sdn Bhd	15,499,800	2.82
10. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	15,422,000	2.80
11. Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	14,574,800	2.65
12. Amble Volume Sdn Bhd	13,710,000	2.49
13. Perbadanan Pembangunan Pertanian Negeri Perak	12,010,930	2.18
14. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	11,168,645	2.03
15. Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad bin Ayub)	10,000,000	1.82

Analysis of Shareholdings (cont'd)

As at 30 March 2018

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
16. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	7,860,855	1.43
17. Favourite Access Sdn Bhd (in liquidation)	5,000,000	0.91
18. Solid Esteem Sdn Bhd	4,320,000	0.79
19. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Prakash A/L K.V.P Menon)	4,240,000	0.77
20. Citigroup Nominees (Asing) Sdn Bhd [Exempt An for Citibank New York (Norges Bank 14)]	3,917,900	0.71
21. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund)	3,224,250	0.59
22. CIMB Group Nominees (Tempatan) Sdn Bhd [Hong Leong Asset Management Berhad for Hong Leong Assurance Berhad (LP Fund ED102)]	3,190,700	0.58
23. Lim Kooi Wah	3,076,000	0.56
24. Teh Li Choo	2,629,510	0.48
25. Yeoh Phek Leng	2,577,000	0.47
26. Citigroup Nominees (Tempatan) Sdn Bhd (Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund)	2,425,500	0.44
27. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc)	2,296,700	0.42
28. HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Berhad for Zurich Life Insurance Malaysia Berhad (LPEQ-CIMB)]	2,266,400	0.41
29. Citigroup Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Small Cap Series)	2,022,650	0.37
30. Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.36

Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Teh Wee Chye	61,462,477	11.17	38,823,220 ⁽¹⁾	7.06
Duangmanee Liewphairatana	32,880,875	5.98	27,591,575 ⁽²⁾	5.01
Teh Wee Kok	-	-	27,591,575 ⁽³⁾	5.01
Yong Kok Yian	28,534,372	5.19	5,000,000 ⁽⁴⁾	0.91
Thye Nam Loong Holdings Sdn Bhd	26,916,410	4.89	675,165 ⁽⁵⁾	0.12
Tan Sri Dato' Seri Utama Arshad bin Ayub	25,422,000	4.62	15,499,800 ⁽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	25,422,000	4.62	15,499,800 ⁽⁶⁾	2.82
Teh Wee Chye	61,462,477	11.17	38,823,220 ⁽¹⁾	7.06
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.36	-	-
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	4,240,000	0.77	-	-
Azhari Arshad	-	-	15,499,800 ⁽⁷⁾	2.82
Lim Pang Boon	220,400	0.04	-	-

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 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 31-12-17 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	57	9 Sept 1996	3,100,000
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	78	4 Dec 1996	1,582,000
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	36-51	6 Oct 1998	95,623,000
Freehold land with shop houses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Shoplot	38	1991	142,000
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	25	3 Feb 1995	66,386,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-17 RM
Leasehold land with building PN 25155, Lot 7114 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Melaka Darul Azim Total: 0.13 acre	Shoplot	20	1997	370,000
Freehold land with building HS(D) 212786 PTB 18284 Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim Total: 0.13 acre	Factory	18	1999	464,000
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	6	2011	2,803,000
Leasehold land with buildings HSD 30841 PT 13521 HSD 30845 PT 13525 HSD 30844 PT 13524 (expiring in 2075) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 200 acres	Breeder farm and factory	28	2015	13,962,000
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	27	10 Mar 1995	603,000
Freehold land with house GRN 160946 Lot 45520 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Residential house	26	2017	155,000

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 31-12-17 RM
Leasehold land with farm buildings PN370859 Lot 23679 HSD 35899 PT 18500 HSD 35900 PT 18501 (expiring in 2075) Mukim of Pengkalan Bahru District of Manjung Perak Darul Ridzuan Total: 464.96 acres	Broiler farm	25	2015	65,695,000
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	20	1994	32,440,000
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	Broiler farm	21	2000	6,926,000
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	15	2000	14,729,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-17 RM
Leasehold land with farm buildings PN 378132 Lot 5471 PN 378133 Lot 5472 (expiring on 7-5-2034) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 25.81 acres	Breeder farm	7	2010	3,179,000
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	6	2011	7,027,000
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	6	2011	26,653,000
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	5,837,000
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	7,981,000

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 31-12-17 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	15,140,000
Freehold land GRN 65374 Lot 3160 GRN 61255 Lot 3163 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 21.67 acres	Vacant Land	-	2014	1,963,000
Freehold land 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 Geran No. 2445, Lot 979 Geran No. 2464, Lot 1033 Geran No. 2915, Lot 1034	Vacant Land	-	2014	8,643,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-17 RM
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 Geran No. 2935 Lot 102 Geran No. 2949 Lot 101 Mukim of Pengkalan Baharu District of Manjung Perak Darul Ridzuan Total: 2.54 acres	Broiler farm	3	2014	1,704,000
Leasehold land PN 296140 Lot 15562 (expiring on 9-7-2105) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 5.172 acres	Vacant land	-	2015	4,627,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Eighth 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 Tuesday, 22 May 2018 at 10.00 a.m. for the following purposes:-

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. [Please refer to Explanatory Notes].
2. To re-elect the following Directors who retire by rotation in accordance with Article 111 of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (i) Dato' Wira Zainal Abidin bin Mahamad Zain (Ordinary Resolution 1)
 - (ii) Mr Prakash A/L K.V.P Menon (Ordinary Resolution 2)
3. To re-elect the following Directors who retire in accordance with Article 98 of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (i) Mr Quah Poh Keat (Ordinary Resolution 3)
 - (ii) Prof. Datin Paduka Dato' Dr Aini binti Ideris (Ordinary Resolution 4)
 - (iii) Mr Lim Pang Boon (Ordinary Resolution 5)
4. To approve the payment of Directors' fees of RM880,439 for the financial year ended 31 December 2017. (Ordinary Resolution 6)
5. To approve an amount of up to RM320,000 as benefits payable to the Directors for the period from the conclusion of the 58th Annual General Meeting ("AGM") until the conclusion of the next AGM of the Company. (Ordinary Resolution 7)
6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 8)

Special Business

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

7. Authority to Directors to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

“**THAT** subject to the Companies Act 2016 and approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 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 total number of issued shares 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.”

(Ordinary Resolution 9)

8. Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements

“**THAT** subject to the Companies Act 2016, the provisions of the Articles of Association of the Company, Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and 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 23 April 2018 for the purposes of paragraph 10.09 of Bursa Securities Main Market Listing Requirements, subject to the following:-

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

Notice of Annual General Meeting (cont'd)

- (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting and will subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act 2016 (excluding any extension of such period as may be allowed under the Companies Act 2016); 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."

(Ordinary Resolution 10)

9. Proposed Renewal of Authority for Share Buy-back

"THAT subject to the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements 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 in the Company ("Proposed Share Buy-back") as may be determined by the Directors of the Company from time to time through 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 number of issued shares of the Company as at the point of purchase and that an amount not exceeding the Company's retained profits 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 2016, 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.”

(Ordinary Resolution 11)

10. Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company

“THAT approval be and is hereby given to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix II of the Circular to Shareholders dated 23 April 2018;

AND THAT the Directors of the Company be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

(Special Resolution)

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)

Company Secretary

Kuala Lumpur

23 April 2018

Notice of Annual General Meeting (cont'd)

Notes:-

1. A member entitled to attend, speak and vote at the 58th AGM 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.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. Notwithstanding the above, an exempt authorized nominee may appoint multiple proxies in respect of each Omnibus Account held.
5. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or the hand of the attorney duly authorised.
6. **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.**
7. For the purpose of determining a member who shall be entitled to attend this 58th AGM, 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 **15 May 2018**. 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 Ordinary Business

Item 1 of the Agenda: To receive the Audited Financial Statements

This Agenda item is meant for discussion only as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

Ordinary Resolutions 6 and 7: Directors' Fees and Other Benefits

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

In this respect, the Board wishes to seek the shareholders' approval for the following payments to Directors at the 58th AGM:-

Resolution 6: Payment of Directors' fees totalling RM880,439 in respect of the financial year ended 31 December 2017; and

Resolution 7: Payment of benefits payable to the Directors which have been reviewed by the Remuneration Committee and Board of Directors of the Company for the period from the conclusion of the 58th AGM until the conclusion of the next AGM of the Company.

The benefits payable to the Directors comprise Board Committee fixed fee, meeting allowances and benefits-in-kind. In determining the estimated total amount of the benefits payable, the Board has considered various factors including the number of scheduled and special meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Explanatory Notes on Special Business

Ordinary Resolution 9: Authority to Directors to Allot and Issue Shares

The proposed Resolution 9 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 Sections 75 and 76 of the Companies Act 2016, 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 number of issued shares 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 AGM of the Company.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and any share issuance for acquisition involving equity deal which requires the Company to allot and issue new shares, which is only to be undertaken if the Directors consider it to be in the best interest of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the 57th AGM of the Company held on 25 May 2017.

Ordinary Resolution 10: Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolution 10, 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 Bursa Securities Main Market Listing Requirements. This authority, subject to renewal thereat, will expire at the conclusion of the next AGM of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next AGM of the Company is required to be held under the Companies Act 2016 (excluding any extension of such period as may be allowed under the Companies Act 2016) (unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting), whichever is earlier.

Ordinary Resolution 11: Proposed Renewal of Authority for Share Buy-back

The proposed Resolution 11, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the total number of issued shares of the Company by utilising the funds allocated out of the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Special Resolution: Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company

The proposed Special Resolution, if passed, shall streamline the Company's Constitution to be aligned with the Companies Act 2016 which came into effect on 31 January 2017, latest amendments made to Bursa Securities Main Market Listing Requirements which were issued on 29 November 2017 as well as to render consistency and greater clarity throughout in order to facilitate and further enhance administrative efficiency.

Statement Accompanying Notice of Annual General Meeting

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

1. AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The renewal of this general mandate (“General Mandate”) will empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, 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 number of issued shares 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.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and any share issuance for acquisition involving equity deal which requires the Company to allot and issue new shares, which is only to be undertaken if the Directors consider it to be in the best interest of the Company.

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the Fifty-Seventh AGM of the Company held on 25 May 2017.

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

FORM OF PROXY

CDS Account No.	No. of Shares Held

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

of _____
(full address)

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

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

* and/or

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

or failing him/her, the *CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Eighth Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 22 May 2018 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote 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 the following Directors who retire by rotation in accordance with Article 111 of the Company's Articles of Association:-		
2.	a. Dato' Wira Zainal Abidin bin Mahamad Zain		
	b. Mr Prakash A/L K.V.P Menon		
3.	Re-election of the following Directors who retire in accordance with Article 98 of the Company's Articles of Association:-		
4.	a. Mr Quah Poh Keat		
5.	b. Prof. Datin Paduka Dato' Dr Aini binti Ideris		
6.	c. Mr Lim Pang Boon		
7.	Payment of Directors' fees		
8.	Payment of benefits payable to the Directors		
9.	Re-appointment of Auditors		
10.	Authority to Directors to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016		
11.	Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
12.	Proposed Renewal of Authority for Share Buy-back		
	Proposed Alteration of Existing Memorandum and Articles of Association in its entirety and substituting with a New Constitution of the Company		

* Strike out whichever not applicable

Dated this _____ day of _____, 2018

Signature/Common Seal of Shareholder

Notes:-

- A member entitled to attend, speak and vote at the 58th 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.
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AFFIX
STAMP
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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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www.mfm.com.my

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