Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2014

Malayan Flour Mills Berhad
(Company No. 4260-M)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2014

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

Principal activities

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	67,778	83,693
Non-controlling interests	11,716	-
	79,494	83,693

Reserves and provisions

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

Dividends

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

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

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

Company No. 4260-M

Directors of the Company

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

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

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	**Acquired**	**Disposed**	**At 31.12.2014**
Company				
- Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	45,462,477	-	-	45,462,477
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,111,925	100,000	-	24,211,925
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	-	-	2,000,000
Quah Ban Lee	1,175,000	-	-	1,175,000
Datuk Oh Chong Peng	5,150	-	-	5,150
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	-	-	5,000

Company No. 4260-M

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Acquired	Disposed	At 31.12.2014
Company				
- Malayan Flour Mills Berhad (continued)				
Deemed interest				
Teh Wee Chye				
- own	38,760,220	-	-	38,760,220
- others*	63,000	-	-	63,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	15,052,000	-	-	15,052,000
Geh Cheng Hooi				
- own	1,455,000	54,000	-	1,509,000
- others*	100,000	-	-	100,000
Azhari Arshad	15,052,000	-	-	15,052,000

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

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

Company No. 4260-M

Directors' interests (continued)

	Number of Warrants			
	At 1.1.2014	Acquired	Disposed	At 31.12.2014
Company				
- Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	9,210,559	-	-	9,210,559
Tan Sri Dato' Seri Utama Arshad bin Ayub	4,453,385	-	-	4,453,385
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	-	400,000
Quah Ban Lee	235,000	-	-	235,000
Datuk Oh Chong Peng	1,050	-	-	1,050
Dato' Wira Zainal Abidin bin Mahamad Zain	1,000	-	-	1,000
Deemed interest				
Teh Wee Chye				
- own	7,752,044	-	-	7,752,044
- others*	13,000	-	-	13,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	2,644,000	-	-	2,644,000
Geh Cheng Hooi				
- own	291,000	-	-	291,000
- others*	20,000	-	-	20,000
Azhari Arshad	2,644,000	-	-	2,644,000

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

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

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which a Director is a member, or with a company in which the Director has a substantial financial interest other than a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the warrants.

Issue of shares

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

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

Warrants

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

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

Salient features of the Warrants are as follows:

i) Each Warrant entitles the registered holder thereof ["Warrant holder(s)"] to subscribe for one (1) new ordinary share of RM0.50 each in the Company at the exercise price of RM2.06 during the 5-year period expiring on 9 May 2017 ["Exercise Period"], subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

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;

Warrants (continued)

iii) The new ordinary shares to be issued upon the exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared by the Company, which entitlement date thereof precedes the allotment date of the new ordinary shares to be issued pursuant to the exercise of the Warrants;

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

v) The Deed Poll and accordingly, the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

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

Options granted over unissued shares

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

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

Other statutory information (continued)

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.

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

In the opinion of the Directors, except for the reversal of impairment losses of investments in subsidiaries as disclosed in Note 6 to the financial statements of the Company, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

……………………………………………………………..
Tan Sri Dato' Seri Utama Arshad bin Ayub

……………………………………………………………..
Teh Wee Chye

Kuala Lumpur,

Date: 26 March 2015

Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

and its subsidiaries

Balance sheets at 31 December 2014

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

Company No. 4260-M

Balance sheets at 31 December 2014
(continued)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Liabilities					
Deferred tax liabilities	9	1,948	587	-	-
Loans and borrowings	16	32,112	28,000	32,112	28,000
Total non-current liabilities		34,060	28,587	32,112	28,000
Trade and other payables, including derivatives	15	119,578	123,571	173,252	138,683
Loans and borrowings	16	767,684	593,344	364,180	285,404
Current tax liabilities		3,038	5,040	-	-
Total current liabilities		890,300	721,955	537,432	424,087
Total liabilities		924,360	750,542	569,544	452,087
Total equity and liabilities		1,727,217	1,483,392	1,173,203	988,190

The notes set out on pages 19 to 86 are an integral part of these financial statements.

Malayan Flour Mills Berhad
(Company No. 4260-M)
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and its subsidiaries

Income statements for the year ended 31 December 2014

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

The notes set out on pages 19 to 86 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)
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Statements of comprehensive income for the year ended 31 December 2014

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

The notes set out on pages 19 to 86 are an integral part of these financial statements.

Malayan Flour Mills Berhad
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Statement of changes in equity for the year ended 31 December 2014

		/---Attributable to owners of the Company---/								
		/---Non-distributable---/					Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Other capital reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2013		269,112	59,420	33,370	30,461	(72,118)	321,887	642,132	56,750	698,882
Foreign currency translation differences for foreign operations		-	-	-	-	7,139	-	7,139	2,205	9,344
Profit for the year		-	-	-	-	-	66,978	66,978	13,198	80,176
Total comprehensive income for the year		-	-	-	-	7,139	66,978	74,117	15,403	89,520
Dividends to owners of the Company	20	-	-	-	-	-	(48,440)	(48,440)	-	(48,440)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(7,112)	(7,112)
At 31 December 2013		269,112	59,420	33,370	30,461	(64,979)	340,425	667,809	65,041	732,850

Company No. 4260-M

Statement of changes in equity for the year ended 31 December 2014
(continued)

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

Company No. 4260-M

Statement of changes in equity for the year ended 31 December 2014
(continued)

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total equity RM'000
		/----------------Non-distributable		------------/	*Distributable*	
At 1 January 2013		269,112	59,420	33,370	185,977	547,879
Profit for the year		-	-	-	36,664	36,664
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	36,664	36,664
Dividends to owners of the Company	20	-	-	-	(48,440)	(48,440)
At 31 December 2013/1 January 2014		269,112	59,420	33,370	174,201	536,103
Profit for the year		-	-	-	83,693	83,693
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	83,693	83,693
Issuance of shares pursuant to the exercise of warrants	14	2	8	-	-	10
Dividends to owners of the Company	20	-	-	-	(16,147)	(16,147)
At 31 December 2014		269,114	59,428	33,370	241,747	603,659

The notes set out on pages 19 to 86 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)
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Statements of cash flows for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
Profit before tax		83,729	93,908	80,445	33,529
Adjustments for:					
Amortisation of intangible assets	4	263	326	60	125
Depreciation of investment properties	5	57	56	57	56
Depreciation of property, plant and equipment	3	38,033	31,684	13,617	10,242
Dividend income		-	-	(27,157)	(24,034)
Reversal of impairment losses of investments in subsidiaries		-	-	(52,767)	-
Net loss/(gain) on disposal of property, plant and equipment		1	(20)	-	(22)
Intangible assets written off		10	4	-	-
Interest expense		19,127	16,575	15,470	12,470
Interest income		(18,040)	(19,758)	(11,092)	(10,218)
Property, plant and equipment written off		80	898	55	326
Share of loss of equity accounted joint venture, net of tax		10,763	2,520	-	-
Share of profit of equity accounted associates, net of tax		(370)	(446)	-	-
Net unrealised loss/(gain) on foreign exchange		2,469	(932)	482	(556)
Operating profit before changes in working capital		136,122	124,815	19,170	21,918

Company No. 4260-M

Statements of cash flows for the year ended 31 December 2014

(continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities (continued)					
Operating profit before changes in working capital		136,122	124,815	19,170	21,918
Changes in working capital:					
Inventories		(89,518)	73,774	(74,254)	29,324
Biological assets		(14,948)	(249)	-	-
Trade and other payables and other financial liabilities		(5,265)	32,652	34,087	12,425
Trade and other receivables, prepayments and other financial assets		(17,967)	(24,624)	(38,444)	(49,370)
Cash generated from/(used in) operations		8,424	206,368	(59,441)	14,297
Interest paid		(19,127)	(16,575)	(15,470)	(12,470)
Interest received		18,040	19,758	11,092	10,218
Tax (paid)/refunded		(14,033)	(18,816)	1,580	(1,595)
Net cash (used in)/from operating activities		(6,696)	190,735	(62,239)	10,450
Cash flows from investing activities					
Acquisition of intangible assets	4	(69)	(144)	(47)	(116)
Acquisition of property, plant and equipment	3	(104,587)	(108,348)	(36,780)	(42,318)
Dividend income		-	-	27,157	24,034
Proceeds from disposal of property, plant and equipment		41	205	35	87
Subscription of shares in:					
Subsidiaries		-	-	-	(19,372)
Joint venture		-	(16,274)	-	(16,274)
Net cash used in investing activities		(104,615)	(124,561)	(9,635)	(53,959)

Company No. 4260-M

Statements of cash flows for the year ended 31 December 2014
(continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from financing activities					
Dividends paid to non-controlling interests		(6,358)	(7,112)	-	-
Dividends paid to owners of the Company		(16,147)	(48,440)	(16,147)	(48,440)
Proceeds from issuance of shares pursuant to the exercise of warrants		10	-	10	-
Proceeds from loans and borrowings, net		164,095	24,042	82,888	84,603
Net cash from/(used in) financing activities		141,600	(31,510)	66,751	36,163
Net increase/(decrease) in cash and cash equivalents		30,289	34,664	(5,123)	(7,346)
Effect of exchange rate fluctuations on cash held		8,804	10,318	-	-
Cash and cash equivalents at 1 January		307,261	262,279	41,500	48,846
Cash and cash equivalents at 31 December		346,354	307,261	36,377	41,500

Cash and cash equivalents

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

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

The notes set out on pages 19 to 86 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

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

Registered office and principal place of business

22nd Floor, Wisma MCA
163 Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint venture.

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 March 2015.

1. Basis of preparation

(a) Statement of compliance

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments (2014)*

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

MFRS 15, *Revenue from Contracts with Customers*

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 5 – Fair value of investment properties
- Note 6 – Impairment of investments in subsidiaries
- Note 7 – Impairment of investment in a joint venture
- Note 8 – Impairment of investments in associates
- Note 9 – Recognition of deferred tax assets
- Note 12 – Fair value of biological assets

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

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

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

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated balance sheets. Any surplus or deficit arising on the loss of control is recognised in the income statements. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investments includes transaction costs. The consolidated financial statements include the Group’s share of profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and a joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(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)).

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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.

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 and boats	5 and 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(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.

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.

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(ii) Determination of fair value

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

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

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

(h) Inventories

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

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

(i) Biological assets

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

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

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.

2. Significant accounting policies (continued)

(i) Biological assets (continued)

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

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

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

(j) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

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

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

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

2. Significant accounting policies (continued)

(k) Impairment (continued)

(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.

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.

2. Significant accounting policies (continued)

(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 (continued)

(n) Revenue and other income

(i) Goods sold

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

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

(iii) Dividend income

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

(iv) Interest income

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

(o) Borrowing costs

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

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

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

2. Significant accounting policies (continued)

(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.

2. Significant accounting policies (continued)

(r) Operating segments

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

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

3. Property, plant and equipment

Group	Land RM'000	Buildings and jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2013	40,708	298,840	313,182	33,872	61,508	748,110
Additions	7,901	33,728	35,051	2,026	29,642	108,348
Disposals	-	(788)	(1,220)	(460)	(5)	(2,473)
Write-off	-	(1,347)	(2,110)	(605)	-	(4,062)
Transfers	-	19,685	33,006	725	(53,416)	-
Effect of movements in exchange rates	502	2,091	3,007	(108)	450	5,942
At 31 December 2013/1 January 2014	49,111	352,209	380,916	35,450	38,179	855,865
Additions	15,954	21,171	17,673	2,512	47,277	104,587
Disposals	-	(1,285)	(1,018)	(301)	-	(2,604)
Write-off	-	-	(1,059)	(85)	(27)	(1,171)
Transfers	-	2,154	13,886	-	(16,040)	-
Effect of movements in exchange rates	487	2,028	3,148	373	616	6,652
At 31 December 2014	65,552	376,277	413,546	37,949	70,005	963,329

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings and jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss						
At 1 January 2013						
Accumulated depreciation	8,438	84,487	212,702	23,983	-	329,610
Accumulated impairment loss	-	533	2,644	-	-	3,177
	8,438	85,020	215,346	23,983	-	332,787
Depreciation for the year	702	10,054	17,859	3,069	-	31,684
Disposals	-	(770)	(1,058)	(460)	-	(2,288)
Write-off	-	(855)	(1,850)	(459)	-	(3,164)
Effect of movements in exchange rates	252	806	1,643	265	-	2,966
At 31 December 2013/1 January 2014						
Accumulated depreciation	9,392	93,722	229,296	26,398	-	358,808
Accumulated impairment loss	-	533	2,644	-	-	3,177
	9,392	94,255	231,940	26,398	-	361,985
Depreciation for the year	1,049	10,707	23,095	3,182	-	38,033
Disposals	-	(709)	(1,372)	(264)	-	(2,345)
Write-off	-	-	(1,006)	(85)	-	(1,091)
Effect of movements in exchange rates	267	976	2,027	264	-	3,534
At 31 December 2014					-	
Accumulated depreciation	10,708	104,696	252,040	29,495	-	396,939
Accumulated impairment loss	-	533	2,644	-	-	3,177
	10,708	105,229	254,684	29,495	-	400,116
Carrying amounts						
At 1 January 2013	32,270	213,820	97,836	9,889	61,508	415,323
At 31 December 2013/1 January 2014	39,719	257,954	148,976	9,052	38,179	493,880
At 31 December 2014	54,844	271,048	158,862	8,454	70,005	563,213

3. Property, plant and equipment (continued)

Company	**Land RM’000**	**Buildings and jetty RM’000**	**Plant, machinery, fixtures and equipment RM’000**	**Motor vehicles RM’000**	**Capital work-in-progress RM’000**	**Total RM’000**
Cost						
At 1 January 2013	9,085	153,572	113,724	13,534	34,722	324,637
Additions	-	15,889	14,388	551	11,490	42,318
Disposals	-	-	(381)	(300)	-	(681)
Write-off	-	(227)	(150)	(460)	-	(837)
Transfers	-	12,788	9,622	-	(22,410)	-
At 31 December 2013/1 January 2014	9,085	182,022	137,203	13,325	23,802	365,437
Additions	15,954	136	3,003	259	17,428	36,780
Disposals	-	(867)	(67)	(201)	-	(1,135)
Write-off	-	-	(126)	-	(27)	(153)
Transfers	-	44	10,126	-	(10,170)	-
At 31 December 2014	25,039	181,335	150,139	13,383	31,033	400,929

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3. Property, plant and equipment (continued)

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
Depreciation						
At 1 January 2013	3,363	35,759	74,541	10,679	-	124,342
Depreciation for the year	206	2,533	6,397	1,106	-	10,242
Disposals	-	-	(316)	(300)	-	(616)
Write-off	-	(13)	(137)	(361)	-	(511)
At 31 December 2013/1 January 2014	3,569	38,279	80,485	11,124	-	133,457
Depreciation for the year	543	3,787	8,372	915	-	13,617
Disposals	-	(650)	(38)	(195)	-	(883)
Write-off	-	-	(98)	-	-	(98)
At 31 December 2014	4,112	41,416	88,721	11,844	-	146,093
Carrying amounts						
At 1 January 2013	5,722	117,813	39,183	2,855	34,722	200,295
At 31 December 2013/1 January 2014	5,516	143,743	56,718	2,201	23,802	231,980
At 31 December 2014	20,927	139,919	61,418	1,539	31,033	254,836

3. Property, plant and equipment (continued)

3.1 Land

Included in the total carrying amounts of land are:

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

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

4. Intangible assets

	Computer softwares	
	Group	Company
	RM'000	RM'000
Cost		
At 1 January 2013	7,841	5,068
Additions	144	116
Write-off	(22)	(1)
Effect of movements in exchange rates	135	-
At 31 December 2013/1 January 2014	8,098	5,183
Additions	69	47
Write-off	(12)	(1)
Effect of movements in exchange rates	133	-
At 31 December 2014	8,288	5,229
Amortisation		
At 1 January 2013	6,524	4,910
Amortisation for the year	326	125
Write-off	(18)	(1)
Effect of movements in exchange rates	74	-
At 31 December 2013/1 January 2014	6,906	5,034
Amortisation for the year	263	60
Write-off	(2)	(1)
Effect of movements in exchange rates	88	-
At 31 December 2014	7,255	5,093
Carrying amounts		
At 1 January 2013	1,317	158
At 31 December 2013/1 January 2014	1,192	149
At 31 December 2014	1,033	136

4.1 Intangible assets

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

4.2 Amortisation

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

5. Investment properties

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

5. Investment properties (continued)

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

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

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Land and buildings	73,394	69,264	72,714	68,669

Fair value

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

Valuation processes applied by the Group for fair value

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

6. Investments in subsidiaries

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

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

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

6. Investments in subsidiaries (continued)

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

* Audited by other member firms of KPMG International
# Not audited by member firms of KPMG International

6. Investments in subsidiaries (continued)

6.1 Non-controlling interests in subsidiaries

The subsidiaries' information are aggregated based on their operating segment and the principal activities and the proportion of ownership interest held by non-controlling interests are disclosed in pages 51 and 52. The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Subsidiaries with material NCI RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2014			
Carrying amount of NCI	56,073	16,224	72,297
Comprehensive income allocated to NCI	11,773	1,841	13,614
2013			
Carrying amount of NCI	50,655	14,386	65,041
Comprehensive income allocated to NCI	14,114	1,289	15,403

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

6. Investments in subsidiaries (continued)

6.1 Non-controlling interests in subsidiaries (continued)

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

7. Investment in a joint venture

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

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

7. Investment in a joint venture (continued)

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

	Group	
	2014	**2013**
	%	**%**
Percentage of ownership interest	30	30
	RM'000	**RM'000**
Summarised financial information		
As at 31 December		
Total assets	338,923	143,108
Total liabilities	(268,960)	(41,436)
Year ended 31 December		
Revenue	65,991	1,983
Total comprehensive expense	(31,709)	(22,013)
Group's share of results for year ended 31 December		
Group's share of total comprehensive expense	(9,513)	(6,604)

8. Investments in associates

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

8. Investments in associates (continued)

Details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Nature of the relationship	Effective ownership interest 2014 %	2013 %
Fongcheng Enterprises Sendirian Berhad +	Malaysia	Investment	28	28
Freeman Properties Holding Ltd. #	Cambodia	Investment	49	49

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

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

Group	Fongcheng Enterprises Sendirian Berhad RM'000	Freeman Properties Holding Ltd. RM'000	Total RM'000
2014			
Summarised financial information			
As at 31 December			
Total assets	6,383	1,160	7,543
Total liabilities	(1,450)	(133)	(1,583)
Revenue	99,948	-	99,948
Total comprehensive income/(expense)	971	(36)	935
2013			
Summarised financial information			
As at 31 December			
Total assets	5,144	1,095	6,239
Total liabilities	(1,182)	(32)	(1,214)
Revenue	94,295	-	94,295
Total comprehensive income/(expense)	1,218	(41)	1,177

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

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

9. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

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

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

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

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

10. Trade and other receivables, including derivatives

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

10. Trade and other receivables, including derivatives (continued)

10.1 Amount due from subsidiaries

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

10.2 Amount due from a joint venture

The amount due from a joint venture is trade in nature, unsecured, repayable on demand and non-interest bearing (2013: non-interest bearing).

10.3 Other receivables

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

10.4 Deposits

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

11. Inventories

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

12. Biological assets

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

12. Biological assets (continued)

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

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

13. Cash and cash equivalents

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

14. Capital and reserves

Share capital

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

14. Capital and reserves (continued)

Share capital (continued)

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

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

Share premium

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

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

Warrant reserve

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

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

Salient features of the Warrants are as follows:

i) Each Warrant entitles the registered holder thereof [“Warrant holder(s)”] to subscribe for one (1) new ordinary share of RM0.50 each in the Company at the exercise price of RM2.06 during the 5-year period expiring on 9 May 2017 [“Exercise Period”], subject to the adjustments in accordance with the deed poll constituting the Warrants;

ii) At the expiry of the Exercise Period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

iii) The new ordinary shares to be issued upon the exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared by the Company, which entitlement date thereof precedes the allotment date of the new ordinary shares to be issued pursuant to the exercise of the Warrants;

14. Capital and reserves (continued)

Warrant reserve (continued)

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

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

Other capital reserve

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

Translation reserve

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

15. Trade and other payables, including derivatives

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

15.1 Amount due to subsidiaries

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

15.2 Other payables and accruals

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

16. Loans and borrowings

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

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

17. Operating profit

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

17. Operating profit (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
and after crediting:					
Dividends from subsidiaries (unquoted):					
- tax exempt		-	-	27,157	24,034
Insurance recoveries		9,016	584	894	292
Interest income from:					
- deposit placed with licensed banks		18,040	19,758	655	1,164
- subsidiaries		-	-	10,437	9,054
Net gain on disposal of property, plant and equipment		-	20	-	22
Net fair value gain from future and option contracts		1,705	-	-	1,490
Net unrealised gain on foreign exchange		-	932	-	556
Net realised gain on foreign exchange		-	-	-	846
Reversal of impairment losses of investments in subsidiaries		-	-	52,767	-
Rental income from:					
- investment properties	5	318	285	353	320
- others		73	64	3,070	2,565
Reversal of impairment loss of trade receivables		803	-	119	-

18. Tax (expense)/credit

		Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Recognised in the income statements					
Current tax expense					
Malaysian	- current year	7,329	7,768	1,589	2,281
	- prior year	(1,319)	1,906	(1,102)	2,004
Overseas	- current year	8,648	11,478	-	-
	- prior year	52	-	-	-
Total current tax expense		14,710	21,152	487	4,285

18. Tax (expense)/credit (continued)

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

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

19. Earnings per ordinary share

Basic earnings per ordinary share

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

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

Diluted earnings per ordinary share

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

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

20. Dividends

Dividends recognised by the Company are:

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

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

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

21. Operating segments

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

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

• Flour and trading in grains and other allied products	Milling and selling wheat flour and trading in grains and other allied products
• Poultry integration	Manufacture and sale of animal feeds, processing and sale of poultry products, poultry grow-out farm, breeding and sale of day-old-chicks and contract farming activities

The Group's other operations include companies that had ceased operations in prior years and dormant companies. None of these segments meets any of the quantitative threshold for determining reportable segments in 2014 or 2013.

21. Operating segments (continued)

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

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

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21. Operating segments (continued)

	Flour and trading in grains and other allied products		Poultry integration		Others		Eliminations		Consolidated	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Business segments										
Revenue from external customers	1,424,555	1,250,549	862,020	1,055,489	-	-	-	-	2,286,575	2,306,038
Inter-segment revenue	347,506	399,198	61,708	34,131	-	-	(409,214)	(433,329)	-	-
Total segment revenue	1,772,061	1,649,747	923,728	1,089,620	-	-	(409,214)	(433,329)	2,286,575	2,306,038
Results from operating activities	42,294	59,606	52,948	33,213	(33)	(20)	-	-	95,209	92,799
Interest expense	(21,596)	(19,093)	(12,537)	(11,438)	-	-	15,006	13,956	(19,127)	(16,575)
Interest income	29,377	29,290	3,669	4,424	-	-	(15,006)	(13,956)	18,040	19,758
Share of loss of equity accounted joint venture, net of tax	(10,763)	(2,520)	-	-	-	-	-	-	(10,763)	(2,520)
Share of profit of equity accounted associates, net of tax	-	-	370	446	-	-	-	-	370	446
Profit/(Loss) before tax	39,312	67,283	44,450	26,645	(33)	(20)	-	-	83,729	93,908
Depreciation and amortisation	19,777	16,348	18,576	15,718	-	-	-	-	38,353	32,066
Tax (expense)/credit	(6,754)	(9,025)	2,519	(4,707)	-	-	-	-	(4,235)	(13,732)

21. Operating segments (continued)

	Flour and trading in grains and other allied products		Poultry integration		Others		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Insurance recoveries	920	323	8,096	261	-	-	9,016	584
Non-cash expenses other than depreciation and amortisation	3,969	1,002	308	570	-	-	4,277	1,572
Capital expenditure	48,306	44,433	56,350	64,059	-	-	104,656	108,492
Segment assets	1,232,655	1,038,539	470,559	411,700	(3)	4	1,703,211	1,450,243
Investment in a joint venture	20,988	30,501	-	-	-	-	20,988	30,501
Investments in associates	-	-	1,973	1,585	1,045	1,063	3,018	2,648
Total segments assets	1,253,643	1,069,040	472,532	413,285	1,042	1,067	1,727,217	1,483,392

Geographical segments

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

21. Operating segments (continued)

Major customers

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

22. Financial instruments

22.1 Categories of financial instruments

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

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

2014	**Note**	**Carrying amount**	**L&R/ (FL)**	**FVTPL**
Financial assets		**RM'000**	**RM'000**	**RM'000**
Group				
Trade and other receivables, including derivatives	10	313,827	307,826	6,001
Cash and cash equivalents	13	346,354	346,354	-
		660,181	654,180	6,001
Company				
Trade and other receivables, including derivatives	10	362,302	362,235	67
Cash and cash equivalents	13	36,377	36,377	-
		398,679	398,612	67
Financial liabilities				
Group				
Trade and other payables, including derivatives	15	(119,578)	(119,578)	-
Loans and borrowings	16	(799,796)	(799,796)	-
		(919,374)	(919,374)	-
Company				
Trade and other payables, including derivatives	15	(173,252)	(172,579)	(673)
Loans and borrowings	16	(396,292)	(396,292)	-
		(569,544)	(568,871)	(673)

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

2013	Note	Carrying Amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Financial assets				
Group				
Trade and other receivables, including derivatives	10	290,803	288,854	1,949
Cash and cash equivalents	13	307,261	307,261	-
		598,064	596,115	1,949
Company				
Trade and other receivables, including derivatives	10	324,099	323,602	497
Cash and cash equivalents	13	41,500	41,500	-
		365,599	365,102	497
Financial liabilities				
Group				
Trade and other payables	15	(123,571)	(123,571)	-
Loans and borrowings	16	(621,344)	(621,344)	-
		(744,915)	(744,915)	-
Company				
Trade and other payables	15	(138,683)	(138,683)	-
Loans and borrowings	16	(313,404)	(313,404)	-
		(452,087)	(452,087)	-

22.2 Net gains and losses arising from financial instruments

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

22. Financial instruments (continued)

22.3 Financial risk management

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

22.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk and credit quality

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 3 months, which are deemed to have higher credit risk, are monitored individually. The trade receivables balances which are past due more than 3 months but not impaired for the Group and the Company amounted to RM941,000 (2013: RM799,000) and Nil (2013: Nil), respectively.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk and credit quality (continued)

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

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

Impairment losses

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

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

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

22. Financial instruments (continued)

22.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

Intercompany advances

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

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

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

22.5 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

22. Financial instruments (continued)

22.5 Interest rate risk (continued)

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

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

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

22. Financial instruments (continued)

22.5 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

(b) Cash flow sensitivity analysis for variable rate instruments (continued)

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

22.6 Foreign currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

		Denominated in *USD*	
		2014	**2013**
Group		**RM'000**	**RM'000**
Unsecured bankers' acceptances/ Unsecured revolving credits	16	(422,722)	(265,839)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	10	5,254	1,641
		(417,468)	(264,198)

22. Financial instruments (continued)

22.6 Foreign currency risk (continued)

		Denominated in *USD*	
	Note	2014	2013
Company		RM'000	RM'000
Unsecured bankers' acceptances/ Unsecured revolving credits	16	(117,019)	(64,128)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	10	67	497
		(116,952)	(63,631)

Currency risk sensitivity analysis

A 5 percent (2013: 5 percent) strengthening/(weakening) of RM against USD at the balance sheet date would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

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

22.7 Liquidity risk

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

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

22. Financial instruments (continued)

22.7 Liquidity risk (continued)

Maturity analysis

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

Group	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2014							
Non-derivative financial liabilities							
Trade and other payables	15	119,578	-	119,578	119,578	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	751,182	0.95 - 4.43	755,716	755,716	-	-
Unsecured term loans	16	48,614	4.88 - 4.89	53,170	18,404	21,149	13,617
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	173,422	173,422	-	-
Inflow	10	(5,254)	-	(178,676)	(178,676)	-	-
		914,120		923,210	888,444	21,149	13,617

22. Financial instruments (continued)

22.7 Liquidity risk (continued)

Maturity analysis (continued)

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
2013							
Non-derivative financial liabilities							
Trade and other payables	15	123,571	-	123,571	123,571	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	565,226	0.96 - 4.04	569,115	569,115	-	-
Unsecured term loans	16	56,118	4.55 - 4.60	61,283	30,115	12,696	18,472
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	102,451	102,451	-	-
Inflow	10	(1,641)	-	(104,092)	(104,092)	-	-
		743,274		752,328	721,160	12,696	18,472

22. Financial instruments (continued)

22.7 Liquidity risk (continued)

Maturity analysis (continued)

Company	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2014							
Non-derivative financial liabilities							
Trade and other payables	15	172,579	-	172,579	172,579	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	347,678	0.95 - 4.43	350,465	350,465	-	-
Unsecured term loans	16	48,614	4.88 - 4.89	53,170	18,404	21,149	13,617
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	39,858	39,858	-	-
Inflow	10	(67)	-	(39,925)	(39,925)	-	-
		568,804		576,147	541,381	21,149	13,617

22. Financial instruments (continued)

22.7 Liquidity risk (continued)

Maturity analysis (continued)

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
2013							
Non-derivative financial liabilities							
Trade and other payables	15	138,683	-	138,683	138,683	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	257,286	1.07 - 4.04	259,656	259,656	-	-
Unsecured term loans	16	56,118	4.55 - 4.60	61,283	30,115	12,696	18,472
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	10	-	-	30,217	30,217	-	-
Inflow	10	(497)	-	(30,714)	(30,714)	-	-
		451,590		459,125	427,957	12,696	18,472

22. Financial instruments (continued)

22.8 Fair value information

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

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

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

22.8.1 Fair value hierarchy

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

Transfers between Level 1 and Level 2 fair values

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

23. Capital management

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

The debt-to-equity ratios at 31 December 2014 and 31 December 2013 were as follows:

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

24. Capital and other commitments

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

25. Contingent liability

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

26. Related parties

Identity of related parties

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

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 10 and 15.

	Group		**Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
A. Subsidiaries				
Sales of goods	-	-	26,233	33,699
Rental of premises	-	-	81	921
Rental of furniture and fittings	-	-	147	147
Rental of equipment	-	-	2,853	1,478
Rental of motor vehicles	-	-	33	33
Interest income	-	-	10,437	9,054
Interest expense	-	-	(4,569)	(4,902)
B. Key management personnel				
- Fees	810	900	810	900
- Remuneration	4,659	4,608	4,427	4,193
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	173	206	173	206
Total short-term employee benefits	5,642	5,714	5,410	5,299

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

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

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

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

Malayan Flour Mills Berhad
(Company No. 4260-M)
(Incorporated in Malaysia)
and its subsidiaries

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

In the opinion of the Directors, the financial statements set out on pages 9 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 87 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………..
Tan Sri Dato' Seri Utama Arshad bin Ayub

…………………………………………………………..
Teh Wee Chye

Kuala Lumpur,

Date: 26 March 2015

Malayan Flour Mills Berhad
(Company No. 4260-M)
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Koh Yong Kun**, the officer primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 87 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 26 March 2015.

………………………………..
Koh Yong Kun

Before me:

Shafie B. Daud (W350)
Commissioner for Oaths
Kuala Lumpur

Independent auditors' report to the members of Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Malayan Flour Mills Berhad, which comprise the balance sheets as at 31 December 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 86.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 4260-M

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

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

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 87 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 4260-M

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Muhammad Azman bin Che Ani
Approval Number: 2922/04/16 (J)
Chartered Accountant

Petaling Jaya,

Date: 26 March 2015