

# Statement on Corporate Governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors of Malayan Flour Mills Berhad remains committed towards improving Corporate Governance practices to ensure that the highest standards on Corporate Governance are observed throughout the Group in the interest of the stakeholders. The Board regards Corporate Governance as vitally important to the success of the Company's business and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings.

The Board views the maintenance of high standards of corporate governance as a continuous process incorporating current developments from both within and outside the Country. The Board makes adjustments as may be appropriate and the overriding principle is to adopt the substance rather than the form, with the ultimate objective of enhancing the business processes and shareholder value.

This statement describes the approach that the Company has taken with respect to each of the key principles and the extent of its compliance with the best practices during the financial year.

## BOARD OF DIRECTORS

### Composition of the Board and Balance

The Board is responsible for the Company in achieving the highest level of business conduct. Its duties and responsibilities included amongst others to establish long and medium term strategic plans, approve annual budget, establish goals for management and monitor the achievement of these goals. The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

The Company has a unitary Board, currently consisting of two (2) Executive Directors and five (5) Non-Executive Directors of whom three (3) are Independent and thus obtain the desired level of objectivity and independence in Board deliberations and decision making. The Board composition also complies with the Listing Requirements of Bursa Malaysia Securities Berhad which require a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each director is presented on pages 5 to 8 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors fulfills a pivotal role in corporate accountability and provides unbiased, objective and independent view, advice and judgment to the decision making process of the Board.

# Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



## BOARD OF DIRECTORS (cont'd)

### Appointment and Re-election of Directors

The procedures for appointments to the Board are formal and transparent. The Nomination Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills, knowledge, expertise and experience which the Director(s) brings to the Board. For the position of independent non-executive director, the Nomination Committee also evaluates the candidate's calibre, credibility and necessary skill and experience to bring an independent judgement and view to matters under consideration. Any new nomination received is forwarded to the Board for assessment and endorsement.

The Company's Articles of Association provide that all Directors are subject to election by the shareholders at the next Annual General Meeting subsequent to their appointment.

In respect of the re-election of Directors, the Article provides that at least one third or the nearest to one-third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and that all Directors are subject to re-election by rotation at least once in every three years.

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

### Board Meetings

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary. The Board meetings are scheduled prior to the commencement of the financial year. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting.

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

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

Director	Number of Meetings Attended
Tan Sri Datuk Arshad bin Ayub	7 / 7
Mr Teh Wee Chye	7 / 7
Mr Lee Soon Lee	7 / 7
Tan Sri Hamzah bin Abu Samah	6 / 7
Dato' Hj Shahrudin bin Hj Haron	7 / 7
Mr Geh Cheng Hooi	7 / 7
Mr Quah Ban Lee	7 / 7
Dato' Ho Ung Hun (Deceased on 4th February 2008)	6 / 7

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## **BOARD OF DIRECTORS** *(cont'd)*

### **Access to Advice and Information**

In order for the Board to effectively discharge its duties and responsibilities, the Directors are provided with full, complete and unrestricted access to timely and accurate information. All Board and Committee members are provided with the agenda and reports relevant to the business of the meeting in advance so that the Directors have sufficient time to prepare and deliberate on the issues prior to the meeting.

Senior Management members may be invited to attend Board Meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish their clarification on issues that may be raised by Directors.

In furtherance of their duties, the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may take independent advice if necessary at the Company's expense.

### **Directors' Training**

Recognising the ever increasing demands of their role, the Directors of the Company have continued to attend and participate in various programmes which they have individually or collectively considered as relevant for them to keep abreast with the changes in regulations and trends in the business practices, environment and markets.

On appointment, all new Directors in particular the Non-Executive Directors will have the benefit of an induction programme aimed at deepening their understanding of the Company and the business environment and markets in which the Company operates.

The Company Secretary facilitates the participation of training programmes by the Directors and maintains the details of all trainings attended by the Directors.

# Statement on Corporate Governance (cont'd)

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## BOARD OF DIRECTORS (cont'd)

### Directors' Training (cont'd)

During the financial year under review, the following training programmes were attended by the Directors of the Company :-

Name of Director	Mode of Training	Title of Training	Days
Tan Sri Datuk Arshad Bin Ayub	Conference	Audit Committees Crucial Updates Conference	1 Day
Teh Wee Chye	Workshop	1. Workshop on Brand Action Planning	1/2 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
Lee Soon Lee	Conference	1. Audit Committees Crucial Updates Conference	1 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
Tan Sri Hamzah Bin Abu Samah	Conference	Audit Committees Crucial Updates Conference	1 Day
Dato' Hj Shaharuddin Bin Hj Haron	Seminar	Improving Board Directors' Performance, Leadership & Governance	1 Day
Geh Cheng Hooi	Conference	Audit Committees Crucial Updates Conference	1 Day
Quah Ban Lee	Workshop	1. Workshop on Brand Action Planning	1/2 Day
	Seminar	2. Improving Board Directors' Performance, Leadership & Governance	1 Day
	Conference	3. KPMG Tax Summit 2007	1 Day
Dato' Ho Ung Hun	Seminar	Making Corporate Boards More Effective	1 Day

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## BOARD COMMITTEES

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

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

### Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 28 to 32 of this Annual Report.

### Nomination Committee

The Nomination Committee consists of two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors as follows:

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

The Committee is responsible for making recommendations for any appointments to the Board, Board Committees as well as positions of the General Manager(s) and Chief Financial Officer. It also assesses the effectiveness of the Board as a whole, the various Committees and each individual director's contribution to the effectiveness of the decision-making process of the Board.

The Committee met once during the financial year.

### Remuneration Committee

The Remuneration Committee comprises of two (2) Non-Independent Non-Executive Directors, two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

Mr Lee Soon Lee (Chairman)	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Teh Wee Chye	(Managing Director)

The primary function of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and other senior management staff of the Group. The Committee also reviews and recommends for the Board's consideration the Directors'/Committees' fees and meeting allowances.

# Statement on Corporate Governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad



## BOARD COMMITTEES (cont'd)

### Remuneration Committee (cont'd)

The Committee also determine the policy for and the scope of service agreements for the Executive Directors of the Group.

Executive Director will abstain from deliberations and voting decisions in respect of his remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. The increase in Directors' fees has to be approved by the shareholders at the Annual General Meeting.

The Committee met three (3) times during the financial year under review.

### Bumi-Issue cum ESOS Committee

The Bumi-Issue cum ESOS Committee comprised of one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors as follows:-

Mr Teh Wee Chye (Chairman)	(Managing Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Non-Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

As the Special Issue of 16,000,000 ordinary shares to Approved Bumiputra Investors was completed and the Employees' Share Option Scheme of the Company has expired on 27th May 2007, the functions of the Committee have ceased.

The Committee met twice during the financial year under review.

## DIRECTORS' REMUNERATION

The Company has in place a remuneration policy which linked the remuneration package of the Executive Directors to the corporate and individual performance. The remuneration package of the Executive Directors comprises of the basic salary, performance incentive and other benefits as are laid down by the Company's rules and regulations from time to time. Their remuneration package is reviewed annually to keep abreast with the changes in the market and industry as well as to motivate and retain the directors to pursue the long term goals of the Group.

The Directors are paid meeting allowance for each Board and Committee meeting they attend. Besides this, the Non-Executive Directors of the Company are also paid annual fees which were approved by the shareholders at the Annual General Meeting.

In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of discharging their duties.

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## DIRECTORS' REMUNERATION (cont'd)

The aggregate Directors' remuneration paid or payable or otherwise made to all Directors of the Company who served during the financial year is as follows :

(a) Aggregate remuneration of Directors categorized into appropriate components :

Category	Fees (RM'000)	Salaries (RM'000)	Performance Incentive (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
2 Executive Directors	8	1,347	1,522	104	71
6 Non-Executive Directors	484	73	20	33	226

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

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	1
RM200,001 to RM250,000	-	2
RM800,001 to RM850,000	1	-
RM2,200,000 to RM2,250,000	1	-

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and the general public. All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM") and to participate in the proceedings. Shareholders' suggestions received during Annual General Meetings are reviewed and considered for implementation wherever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written reply after the AGM.

The timely release of quarterly financial results and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to the Bursa Malaysia Securities Berhad on material information and corporate proposals are the principal channels for dissemination of information to its investors, stakeholders and the public generally.



# Statement on Corporate Governance (cont'd)

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## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

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

### Internal Control

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

The Statement on Internal Control as set out on pages 33 to 34 of this Annual Report provides an overview of the state of internal controls within the Group.

### Relationship with Auditors

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



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## DIRECTORS' RESPONSIBILITY STATEMENT

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31st December 2007, the Directors have:

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

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